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BUSINESS
WEEK

BUSINESS WEEK

← Year
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CENTS

AIMING MANAGEMENT'S PROBLEMS — Lord Leverhulme
will speak for business abroad at the Seventh Inter-
national Management Congress, Sept. 17-22, in Washington.

UNIVERSITY OF MICHIGAN
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Here's the way to SHARE THE WEALTH

New Warner & Swasey Turret Lathes improve the earning opportunity of both workman and owner — which is the right and lasting kind of share-the-wealth program.

The workman benefits because he becomes of more value to himself and his employer, his time more productive—with modern Warner & Swaseys there is less scrap loss, less down time, and the products have greater precision and accuracy. These savings (often as much as 50%) and the increased accuracy put your company in a better competitive position to get business and so keep up em-

ployment . . . The workman benefits another way—the new Warner & Swaseys are easier to operate so that he ends his day fresh instead of fatigued.

Let a W & S field engineer prove by a study of your turning work exactly how much you and your workmen would profit by new Warner & Swasey Turret Lathes. No obligation. Just write—

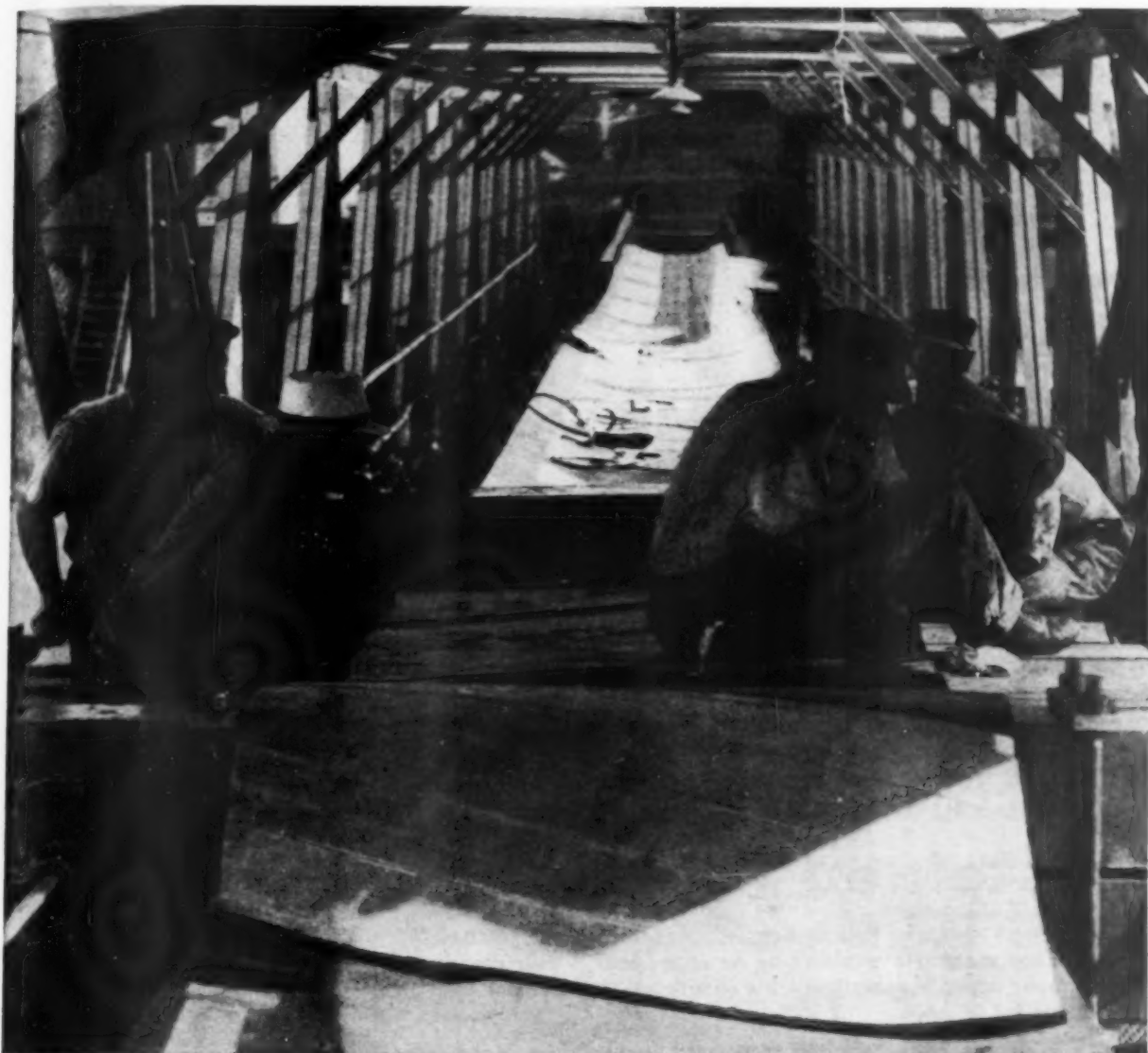
**WARNER
&
SWASEY**

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Cleveland

*You can turn it
better, faster, for
less . . . with a
Warner & Swasey*

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"Welding" a Rubber Band . . . 500 Feet Long

A typical example of Goodrich development in rubber

CONVEYOR belts for transporting coal, rock, materials of all sorts, used to have ends tied together with metal fasteners. But in severe service the fasteners pulled out, had to be replaced, tore ends of the belt, made frequent repairs and expense necessary.

Belts could be made endless at the factory, but were then too cumbersome to put over the pulleys on most installations. Goodrich engineers wanted a better way. They developed a splice which will not tear out—like welded steel it makes a joint that will last as long as the body of the belt itself.

Then, working with a machinery maker, they developed a portable vulcanizer which can be transported easily, and "cures" the splice quickly.

Result is that a belt can be made endless *on the conveyor*, anywhere. Fasteners are done away with, maintenance cost is reduced, belt life is increased and often doubled or tripled.

This is typical of the research which goes on every day at Goodrich—research which has developed tanks to hold even nitric acid, transmission belts which flex 5 times as long as former belts, hose which stands 20,000

pounds pressure, synthetics to resist oil, sunlight, oxidation. Specify Goodrich to your distributor, and you automatically secure, in any rubber product you buy, all the advantages and improvements of all this Goodrich development. If for any reason you can't get Goodrich products conveniently and promptly, please write The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich
ALL products *problems* IN RUBBER



Have You One Customer Too Many?

Any customer who fails to pay for goods shipped is one customer too many. He wouldn't be on your books if your credit manager could possibly know his *future ability* to meet his obligations.

The devastating credit losses suffered annually by Manufacturers and Jobbers are rarely caused by laxity or poor judgment in extending credit, but largely by neglecting to insure the safety of accounts *after goods are shipped*.

American Credit Insurance

performs the vital function of protecting sales. Goods sold under the terms of the policy are paid for promptly. Your capital is not tied up nor dissipated in insolvent or delinquent accounts -- is not helping finance debtors who seek relief in "77-B."

Thousands of executives in more than 150 different lines of business protect their receivables economically with "American" policies. The large majority insure all their accounts. Special groups or classes of debtors, however, are also insurable. Any "American" representative will gladly help analyze your specific needs.

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AMERICAN CREDIT INDEMNITY CO.

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J. F. McFadden, President

Chamber of Commerce Building

St. Louis, Mo.

Offices in all principal cities of United States and Canada

THIS BUSINESS WEEK

A CHARTER SUBSCRIBER reminds us that this week brings *BW's* ninth birthday (Vol. I, No. 1—Sept 7, 1929). But let neither subscribers nor advertisers envision the horror of a Special Commemorative Issue. In the words the baby first spoke, we reply, "So what?"

WATCH THE THERMOMETER

LOOKING BACK over the nine years, we find that the baby has changed as he's grown. But next week comes perhaps the biggest single change of all: revision of the Weekly Index of Business Activity. When the Index was begun as the pioneer of its kind, your editors decided that, if it was to live up to its function, it must be revised periodically. Times change, and so do concepts of what an index should and should not be. Next week, when the new Index makes its bow, there will be a special report—with charts, tables, and figures back to 1919—to explain what these new concepts are, why the Index has been changed, how you can use it in checking your business.

ON THE COVER

IT REQUIRES SOME RESTRAINT on the part of your editors to refrain from hanging the tag "Soap Lord" on the picture of the British gentleman who adorns this week's front cover. We decided the label might be a little too gay for a staid English business man, but it's the apt one for Leverhulme, 2nd Viscount of the Western Isles and Governor of soapy Lever Brothers, Ltd.

Leverhulme is perhaps the British business man best known to Americans. One time or another, he's headed more business associations than you could shake a stick at—the London Chamber of Commerce, Society of Chemical Industry, Advertising Association, Institution of Chemical Engineers, etc., etc.

However, these honors had nothing to do with our picking Leverhulme for the cover. Rather, we wanted to beat the drums a bit for what will probably be the biggest business management conference ever held. And Leverhulme, who'll be the first foreign speaker, has such a beautifully and typically British phiz that we couldn't resist him.

You read (or you should have) the story in last week's *BW* on the Seventh International Management Conference. We'll just repeat here that 2,500 of the world's big-wig industrialists will be in Washington Sept. 19-23 to talk over employee and public relations and technical problems. We'll have an editor or two sitting in to report to you later any additions to the body of knowledge needed by employers everywhere.

BUSINESS WEEK (with which is combined The Magazine of Business) Sept. 10, 1938, No. 471. Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman. Publication office, 90-129 North Broadway, Albany, N. Y. Editorial and executive offices, 230 W. 42nd St., New York, N. Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; R. R. Putnam, Treasurer; D. C. McGraw, Secretary; A. W. Morrison, Circulation Manager. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 25c per second class matter the Post Office at the Act of March 3, U. S. A. Copyright, 1938 by McGraw-Hill Inc.

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PUBLICATION





The New Trains are **WELCOMED**

ALL OVER AMERICA there is a growing hunger for modern railroad transportation.

Through the long period when passenger traffic was gradually declining there was no loss of faith in the safety and dependability of railroad travel. But the glamor was gone. The swift advance in other accessories to living made people dissatisfied with old-fashioned trains. They demanded something new.

Then Budd began building streamlined trains of stainless steel. They were new, indeed. Gleaming silver lances that flashed over the rails, carrying their passengers in unimagined comfort. The triumphal progress of these trains across the continent was a startling demonstration of re-

awakened interest. And today, after eight million miles of successful operation, their popular appeal is greater than ever. Not only are they delighting an increasing number of travelers, but in every town and village along the right-of-way they are sources of civic pride.

In addition to the comfort, speed and beauty which the public has come to expect in all modern trains, Budd-built equipment brings this important and unique advantage:

Budd cars make no compromise with dead-weight. They are built of stainless steel *through and through*. Fabricated by the patented Budd

SHOTWELD★ process, this strongest of structural alloys permits *true light weight*—costing less to haul—yet maintains the highest standards of strength and safety.

They are operating at a profit—to the railroads—to the traveling public—and to the nation as a whole.

★ Originator of ALL STEEL★ automobile bodies, Budd has pioneered modern methods in the design and fabrication of many steel products. The Budd developments in stainless steel include railway cars, marine and bridge structures, airplanes, tanks, bus, truck and trailer bodies and equipment for the chemical and rayon industries.

★ Reg. U. S. Pat. Off.

EDWARD G. BUDD MANUFACTURING CO.
PHILADELPHIA AND DETROIT

BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT

STOP

THAT DRAG IN YOUR
ASSEMBLY LINE

by using the

Speed Nut
System

OF ASSEMBLY



OVER
500
SHAPES
AND
SIZES



MACHINE SCREW



RIVET

OVER
100
MILLION
USED



SHEET METAL SCREW

SPEED NUTS take the place of conventional threaded nuts and lock washers. Cut number of parts handled in half. Snap up the assembly line and cut average net assembly costs 50%.

The **SPEED NUT** System eliminates vibration, reduces the amount and weight of material and holds assembly parts together under firm spring tension. They also absorb expansion and contraction of assembly parts due to temperature changes. Even eliminate checking and crazing of porcelain enamel surfaces. Scores of shapes and sizes for blind bolting means. Manufactured from spring steel, cold rolled steel, phosphor bronze and stainless steel. Made for most standard sizes of machine screws, metal screws, metal rivets and plastic studs.

Stop that drag in your assembly line and plug those profit leaks by adopting the **SPEED NUT** System now. Write for samples and prices today, explaining sizes and applications contemplated.

SPEED NUT DIVISION

TINNERMAN STOVE & RANGE CO.
Manufacturers of Patented SPEED NUTS
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NEW BUSINESS

GREYHOUND GOES DE LUXE

GREYHOUND BUS LINES served notice this week that it wasn't going to be left at the post in the rush of transportation agencies for modernized equipment. To match the railroads' streamliners and the luxury air liners, Greyhound is launching an experimental de luxe service between Detroit and Charleston, W. Va., paralleling the C. & O. Railroad. The new buses, put into service Sept. 10, boast air conditioning, rest rooms in the bus, wider parlor car seats, and hostesses to serve free lunch. Each will accommodate 23 instead of the usual 37 passengers.

BIGGEST SINCE 1931

NIAGARA HUDSON POWER CORP. this week signed contracts for the largest steam-driven turbine-generator to be purchased by the utility industry since 1931. Built by the General Electric Co. at its Schenectady plant, the generator will be rated at 80,000 kw. or roughly 100,000 hp. and will be installed in the new \$9,500,000 plant being built at Oswego, N. Y., by Central New York Power Corp., a Niagara Hudson subsidiary. Babcock & Wilcox Co. will supply the steam boiler unit.

ILLINOIS SOYBEANERY

ILLINOIS, HAVING BECOME outstanding as a soybean-producing state, is very logically the home of a new soybean-processing plant, opened last week. Around about Oct. 1, it's going to have another. Plant opened last week is operated by Spencer Kellogg & Sons, Inc., at Decatur. October plant will be operated by Galesburg Soybean Products Co., Galesburg.

BUS PROVING GROUND

LANSING, MICH., will get a new fleet of Reo buses to displace its present bus transportation system, and Reo Motor Car Co. will get what amounts to a new "proving ground" for its new buses by reason of recent action taken by the city council. Reo's license to operate on the city's streets is outgrowth of a political fight over the old buses.

MINIATURE STEEL MILL

DISTINGUISHED AS SITE of some of the world's largest steel mills, Pittsburgh opens this week a "vest pocket edition" of a steel mill which may prove to be the world's smallest. For experimental and process-improvement purposes, Jones & Laughlin Steel Corp. has gone in for a working model of a modern steel mill, simulating actual working conditions in a large commercial mill. Housed in a single building at its Pittsburgh plant, J.&L.'s new pilot mill will go through all the operations of steel making from raw

pig iron to semi-finished billets. As index of its size, its open hearth furnace, could, at capacity, produce 275 tons annually as against 2,701,000 tons at Homestead Works of Carnegie-Illinois.

MAMMOTH STEEL MILL

MEANWHILE, A FEW MILES away from J.&L.'s miniature mill, Carnegie-Illinois Steel Corp. is now striding toward completion of one of the largest strip mills in the world in its Irvin Works at nearby Clairton (BW—May 29/37, p. 16). Optimistically begun when steel business was booming more than a year ago, Irvin Works was to have been completed last July. But when orders began to decline last year it was decided that hurried completion would mean the tying up of large sums of money in then unneeded facilities. With business improving, the project, now 87% complete, should be ready for operation the end of the year. Its tin mill finds itself already in production.

GARTERLESS SOCK GARTERS

SENSING THAT SOME of the elastic in "garterless socks" does not always stand the gaff of laundering and knowing that many men possess too little calf equipment to hold them up anyway, Pioneer Suspender Co., 315 N. 12th St., Philadelphia, is bringing out a special garter for garterless socks. The clip which hitches on to the sock is designed to clasp elastic tops gently but firmly.

TWO AIRCRAFT MILESTONES

STILL A SMALL OUTFIT, Howard Aircraft Corp., said to be the only airplane manufacturer in Illinois in commercial production, passed two milestones in its brief history in August. One was when it produced and delivered four \$17,000 planes in one month; other was achieved when it sent two of the four to the airline inspection section of the Bureau of Air Commerce. The company, whose factory is in the Clearing Industrial District just outside Chicago and whose president is Ben O. Howard, research flight engineer for United Airlines, has up to now built planes for private owners only.

CANCO PUBLIC RELATIONS

"WHEN A CORPORATION sets out to do public relations work, that's good—but when the public asks for more, that's perfect," says an official of American Can Co., New York, in announcing that its Canco Speaking Service is eight months behind demand for speakers. Surprisingly enough, many of the inquiries requesting talks on various phases of food canning come from groups of men who seldom get closer to their home kitchens than the dining room.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—A third term for Roosevelt becomes more likely every time he loses a "purge" primary. The point is that every time an insurgent wins, the chance of his being a power in the Democratic National convention of 1940 is increased and the probability of Roosevelt being able to nominate a Hopkins, an Ickes, a Frank Murphy or a Bob Jackson is lessened. By the same token it makes the nomination of a Garner, a Jesse Jones, or a Harry Byrd more likely, unless Roosevelt goes after the nomination himself.

In that case, most experts say the President would have to lose a lot of his power with the plain people between now and then or the Southern conservatives won't be able to stop him. It becomes crystal clear that while Roosevelt can win votes for himself, he cannot deliver them to his favorites.

SUPPORT FOR LIBERALS

MOST CURIOUS OF ALL Presidential political maneuvers is an unreported but thoroughly discussed conversation the President had just before he approved the general idea of supporting Republican "liberals." A week before that announcement, calculated to jar Jim Farley and other regulars no little, the President was talking with several Kansas leaders. They told him they would probably elect a Democrat governor, but thought Clyde Reed, Republican, would defeat Sen. McGill, 100% New Deal Democrat.

"That will be all right with me," replied the President cheerfully.

"But Mr. President," said a Department of Agriculture man present, "Reed has attacked every Administration proposal for the relief of the farmer, whereas Sen. McGill has voted for everything we wanted, and in fact for everything you ever wanted."

"Yes," said the President, "but Clyde Reed is an aggressive liberal." And it is a fact that Reed was actually for Roosevelt in 1936, although Alf Landon had been his campaign manager when he ran for governor.

"Landon ought to come out for McGill now and make it completely cockeyed," said one old time Democratic regular.

HOW THE "PURGE" STANDS

THE VICTORY in Nevada of Sen. McCarran, who fought the President on the Supreme Court and government reorganization issues, and who triumphed

phed over "my friend Al," as the President called Hilliard, makes the box score of the "purge," as follows:

Insurgent Senators renominated: Adams of Colorado, Clark of Missouri, Gillette of Iowa, Smith of South Carolina, Van Nuys of Indiana, and McCarran of Nevada.

Insurgent Senators defeated: None.

Hundred per cent New Dealers renominated: Barkley of Kentucky,

White Hope



WITH A .000 BATTING AVERAGE thus far in his efforts to eliminate insurgent Senators, the President this week traveled into Maryland to blast away at Sen. Millard Tydings on his home grounds. In the crucial Free State primary next Monday Tydings' opponent, blessed of the New Deal, is bookish little David J. Lewis, above. Now a representative, Lewis was the Democratic nominee for the Senate 20 years ago but was beaten by members of his own party who thought he was a Socialist because he had backed parcel post. His defeat that year resulted in Republicans controlling the Senate two years later, packing the Foreign Relations Committee against the Versailles Treaty, and keeping the U.S. out of the League of Nations.

Bulkeley of Ohio, McGill of Kansas, and Reynolds of North Carolina. Nomination of Rep. Lister Hill of Alabama and defeat of "Tom-Tom Heflin" for the seat vacated by Hugo Black, should also be classed as a New Deal victory.

Hundred percenters defeated: McAdoo of California, and Pope of Idaho. Other hundred percenters who failed

of renomination are Dieterich of Illinois, Berry of Tennessee, and Hitchcock of South Dakota, but the "purge" was not a straight-line issue in these cases.

Games still to be played: George of Georgia and Tydings of Maryland, Loneragan of Connecticut having been exempted. Betting odds favor failure of the "purge" in both cases.

OLD AGE BENEFITS POPULAR

CONGRESS WILL RUN AWAY with President Roosevelt on old age benefits next session unless there is a sharp turn in the tide, now obviously running very strongly in favor of more money for the old folks.

Politicians have to go on what they know or believe, and it begins to look as though some modification of the Townsend plan is a sure winner, hence good ball for the chaps thinking about the 1940 primaries and elections.

CALIFORNIA, FLORIDA, TEXAS

IF IT WERE JUST CALIFORNIA, with its absurd \$30 a week for everyone over 50, Capitol Hill might write that off as just one of those things. Even Florida, where the Townsend plan was the paramount issue in the Senatorial primary and the only issue in a Congressional runoff, might not prove too disturbing.

But the boys who get out the votes know that it was not the much press agented "hill-billy" band which won such a sweeping victory for W. Lee O'Daniel, in Texas. It was his promise of \$30 a month for every person over 60, whether in need or not.

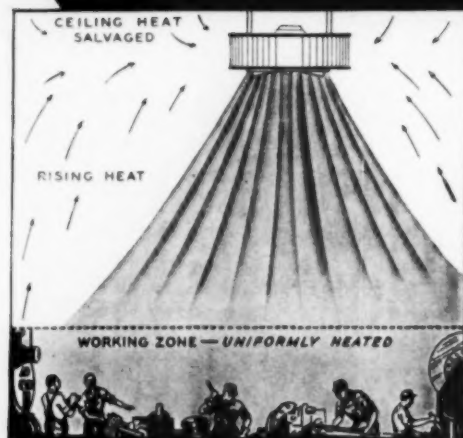
Young folks who want the state to take care of their parents so they can get married are the most belligerent advocates of fatter pension checks for the aged.

WAGE-HOUR EVERYONE'S WORRY

IN REPLY to wage-hour Administrator Elmer Andrews' radio statement that business and labor will be depended on to enforce the law, industry representatives here say the job will be taken over by the big labor bosses. At the same time, they admit that a lot of the tattling will come from employers who think their competitors are chiseling on hours and wages.

Principally, business fears that disgruntled employees everywhere will bring charges against employers, which they can do legally without consulting Washington.

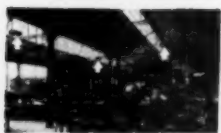
Regional offices of the Labor Standards Division will be set up as soon as possible to effect mutual agreements,



HOW IT WORKS. The Trane Projection Heater draws air through a circular steam or hot water coil, projecting it straight downward in a gentle, swirling motion. When the desired floor temperature is reached, the steam supply is shut off by the thermostat control, but the fan continues to draw from the reservoir of ceiling heat. When ceiling temperature is reduced, steam is automatically supplied again to the unit.



No Hot Spots
in this building! That's because the Trane Projection Heater diffuses warm air over entire floor space evenly.



A Bargain in Results
Trane Projection Heaters are saving owners around 25% a season in fuel costs. Why? Because they salvage ceiling heat!



Saves Space.
As shown in this building, the Projection Heater requires little headroom, no wall space. It may be placed as high as 60 feet above floor.



Trane Projection Type Unit Heater Brings New Comfort at Lower Cost to Factories, Offices, Stores and Shops.

How is this possible? Here are the facts:

- A step ahead in design over the original light weight heating surface units — a radical change, yet a logical change.
- It was made to salvage heat heretofore wasted because it went to the ceiling and escaped out of doors — wasted.
- By utilizing this wasted heat, fuel is saved. Actually, steam costs are cut 15% to 25% for heating.
- Ordinary Unit Heaters did not draw on this waste reservoir of ceiling heat — now it is accomplished.
- Use in over 800 factories, shops, etc., has thoroughly proved the soundness of this heater principle and its value.
- This is accomplished because this new Trane heater is hung against the ceiling — **AT ANY HEIGHT** — Heat from it floods the working zone evenly.
- Management will do well to investigate. Seldom has such a great engineering advance been so profitable to the operator. We suggest you try a test unit in your building and prove it to your satisfaction.

Tip for the Treasury

The National Resources Committee's study on the distribution of national income (p.18) suggests that all tax loopholes are not yet plugged.

On the theory that taxpayers have a way of understating their receipts in tax returns, the committee arbitrarily raised the incomes of families in the \$5,000 to \$20,000 brackets by 15%; in the \$20,000 to \$25,000 brackets by 10%; in the \$25,000 to \$50,000 group by 5%.

Incomes of taxpayers in the \$50,000 or above class were not upped; apparently the committee regarded this group as being under too close scrutiny to trifle with understatement.

If the committee is right in its assumption that the families in the \$5,000 to \$50,000 income class minify their aggregate income by 10%, it would appear that the Treasury has a job to do.

following the pattern of the National Labor Relations Board.

STUDYING EXEMPTIONS

THE WAGE-HOUR ADMINISTRATION is not ready to decide what sort of employers are exempt from the law on the ground that they are not engaged in interstate commerce. This is a knotty problem, being studied by a group of lawyers borrowed from the Labor Department.

Best opinion is that there must be some Supreme Court decision before the thing is finally untangled, especially in view of the contention of New Dealers that virtually every business act affects interstate commerce.

MONOPOLY PROBE SET

HEARINGS by the National Economic Committee will probably not start before October 15, although Chairman O'Mahoney is returning now from Wyoming to preside over preliminary meetings.

Rep. Eicher, another committee member, says that the members representing executive departments are "producing a lot of valuable information that must be correlated before hearings are started."

Once started, the hearings will probably run right up until the meeting of the new Congress, in January.

SEC APPOINTMENT DISTURBING

H. A. BLUMQUIST, who was Hugo Black's ace investigator in his famous telegram-seizing investigation of utility propaganda, has been named chief of the Division of Surveys (bureau

Let us tell you how much valuable ceiling heat *you* can salvage!

THE TRANE COMPANY
2028 Cameron Avenue, La Crosse, Wis.
or Trane Company of Canada, Ltd., Toronto.

An experienced man from one of the 70 Trane branches will show you or your engineer how much money the Trane Projection Heater can save you.

Name

Firm

Address

Send representative

Free bulletin

of investigation to you) of the SEC; and, to put it mildly, that appointment will cause considerable agitation among those having to deal with the Securities body.

UTILITY FIGHT RESUMED

THIS FALL'S CAMPAIGN in the perennial warfare between the Administration and the utilities opens with literary salvos on two fronts: Tennessee and Texas.

In a letter to the Chattanooga Electric Power board, President Wendell L. Willkie of Commonwealth & Southern complains of being pressed by the city, under the threat of duplication, to sell his local properties while he is still dickering with TVA on a state-wide transfer.

In Texas, President John W. Carpenter of Texas Power & Light (an Electric Bond & Share property) offers to sell out—lock, stock, and barrel—16 of his 63 counties to the competing Lower Colorado River Authority because of PWA competition.

Both are merely preliminary skirmishes in a struggle of which the end is not yet in sight.

WASHINGTON READIES FOR WAR

ALTHOUGH PUBLICITY is not being invited, it is a fact that preparedness is a livelier issue in Washington today than it has been since 1914. The reason why is in the headlines.

Mindful of the fact that it took this country fourteen months to gird its loins in 1916-1917, the War Department is straining every effort, insofar as it can in advance of formal action, to line up American industry and fit it for the tremendous job of switching to a war-time basis, if and when necessary.

The placing of "educational" orders is one method being used; the current survey of power plants and interconnections is another. Other steps are under consideration to forestall "bottle-necks" that caused trouble during the World War. The job is being done very quietly, but is being taken very seriously.

ADDING TO MERCHANT MARINE

THE MISSISSIPPI SHIPPING Co., operating between the Gulf and East Coast South American ports, is getting ready to build a couple of vessels under the law which provides subsidies for construction by American foreign services.

Mississippi will be the second private concern to enter into the Maritime Commission's rehabilitation program. American Export was the first.

All other ships building under commission contract are for government account. If offers for sale or charter are not accepted, ships will be operated by the government.

Management: A Full-time Job

Managing investments is a responsibility that requires judgment, knowledge and experience. It should not be a side issue. The job requires time and attention to keep abreast of changing business, political and market conditions. The Investment Department of City Bank Farmers Trust Company is prepared to undertake the important work of managing the investments of its custodian clients. The officers of this Trust Company welcome the opportunity of explaining the plan under which Custodian Management accounts are handled.

City Bank Farmers Trust Company

CHARTERED 1822

Head Office: 22 William St., New York; Uptown Office: Madison Ave. at 42nd St.;

Brooklyn Office: 181 Montague Street

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OFFICE AIR CONDITIONING

INDUCED DRAFT

A Customer List that Reads Like a Blue Book of American Business

Men can be judged by the company they keep — a manufacturer by the calibre of his customers.

Here at Clarage Fan we serve the *leaders*, as well as the rank and file, in every field of American business.

Clarage Fans and Blowers — many hundreds of them — are operating in the steel industry, in the automotive and metal-working fields, in leading food factories, in textile and paper mills, and in front-rank plants manufacturing glass, chemicals, rubber and a score of other products.

Clarage Conditioning Apparatus is used in the finest offices, hotels, theatres, restaurants and retail stores — Clarage Mechanical Draft in great central stations and power plants from Maine to California.

Your decision to use Clarage Equipment will be the same decision made a thousand times before by the most astute buyers in the world today — American business leaders.

NATION-WIDE SERVICE — Consult Telephone Directory

If you have an "air problem" of any type, Clarage engineers will have sound recommendations as to its solution. Our experience dates back a quarter century. And in every industrial center, we have a branch office. Dial our telephone number in your city, or write us.

CLARAGE FAN COMPANY—KALAMAZOO, MICH.
SALES ENGINEERING OFFICES IN ALL PRINCIPAL CITIES



OFFICE AIR CONDITIONING

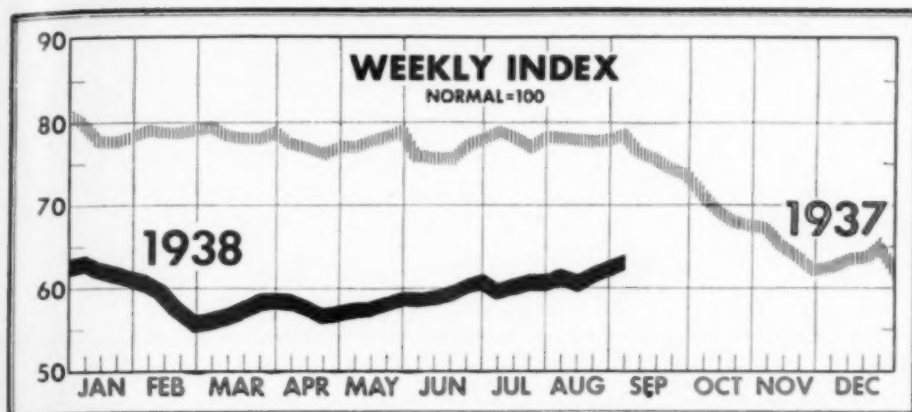
Larger photo above shows the Clarage System which provides complete air conditioning for the general offices of one of America's foremost pharmaceutical manufacturers. This business leader also uses Clarage equipment in its various processes for air conditioning, ventilating, factory heating, pneumatic conveying, and exhausting noxious gases.

INDUCED DRAFT

Smaller photo shows a giant Clarage Induced Draft Fan installed on the roof of a leading public utility's central station. Although handling flue gases at 550°F. and exposed to the weather for many years, this fan has given excellent service.

**COMPLETE
AIR CONDITIONING**
•
COOLING
•
VENTILATION
•
FACTORY HEATING
•
MECHANICAL DRAFT
•
**FANS and BLOWERS
for
INDUSTRIAL NEEDS**

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*63.9
Preceding Week	†63.2
Month Ago	62.2
Year Ago	79.4
Average 1933-37	68.7

PRODUCTION

*Steel Ingot Operation (% of capacity).....	39.9	44.0	39.4	71.6	46.2
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$10,000	\$9,568	\$8,981	\$12,288	\$7,408
Engineering Construction Awards (Eng. News-Rec. 4-wk. daily av. in thousands)	\$8,628	\$9,627	\$9,485	\$6,632	\$5,128
*Bituminous Coal (daily average, 1,000 tons).....	1,058	1,045	983	1,336	1,210
*Electric Power (million kw.-hr.).....	2,149	2,134	2,116	2,321	1,699

TRADE

Total Carloadings (daily average, 1,000 cars).....	103	100	98	131	114
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	66	64	62	80	71
*Check Payments (outside N. Y. City, millions).....	\$3,522	†\$3,378	\$3,965	\$4,297	\$3,339
*Money in Circulation (Wednesday series, millions).....	\$6,503	\$6,470	\$6,465	\$6,532	\$5,796

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$.67	\$.65	\$.67	\$1.08	\$1.05
Cotton (middling, New York, lb.).....	8.24¢	8.39¢	8.47¢	9.43¢	10.98¢
Iron and Steel (Steel, composite, ton).....	\$36.50	\$36.50	\$36.49	\$40.27	\$33.92
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.125¢	10.125¢	10.125¢	14.000¢	10.050¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	143.2	143.3	144.7	194.3	168.8

FINANCE

Bond Yields (Standard Statistics, average 45 bonds).....	5.84%	5.81%	5.75%	4.64%	4.75%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.82%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	.75%	.75%	.75%	1.00%	.98%
Business Failures (Dun and Bradstreet, number).....	226	230	238	151	202

BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series).....	2,585	2,579	2,574	2,579	2,455
Excess Reserves, all member banks (Wednesday series).....	2,940	2,980	2,920	750	1,604
Total Loans and Investments, reporting member banks.....	20,661	20,713	20,560	22,319	20,172
Commercial and Agricultural Loans, reporting member banks.....	3,886	3,890	3,865	4,638	—
Security Loans, reporting member banks.....	1,267	1,216	1,176	2,095	—
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,444	9,377	9,301	9,323	—
Other Securities Held, reporting member banks.....	3,147	3,119	3,094	2,969	—

* Factor in Business Week Index.

* Preliminary, Week Ended Sept. 3.

† Revised.

‡ Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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New Electrical System Saves \$40,000

FIVE years ago, a prominent Midwestern railroad was confronted with the problem of building a better and, at the same time, less expensive, tin bridge. General Electric engineers helped with the problem. As a result, a new electrical system was developed for the bridge.

This system—Saves power alone—has since been used on many such bridges and has made possible less weight on the tin spans and hence a decreased interest of material for bridge construction. The savings arising on such bridges is more than fivefold. Furthermore, maintenance is simplified and maintenance and operating costs are reduced.

This is but one example of how General Electric's cooperation results in probable solutions of difficult problems. Your factory or railroad probably offers opportunities for money-saving experiments. May we urge that you encourage your employees to make such suggestions?—For General Electric application engineers will help you work out the best equipment is.

Annual Gain, \$6583 Investment, \$6632

THE New York, Ontario and Western Railroad was confronted with the operating costs and efficiency of the equipment at its terminals and upon way to Montreal, Quebec.

Solution: It decided to replace the equipment with the latest most up-to-date apparatus rather than to spend money on repairs. It replaced its main station at Cornwall with new General Electric equipment. It replaced its General Electric station with General Electric equipment. It replaced its General Electric station with General Electric equipment. It replaced its General Electric station with General Electric equipment.

Results: (1) An annual gain of \$6583 on the power equipment. (2) A saving of \$6632 on all the work and appliances brought by the equipment. (3) A saving of \$6632 on all the work and appliances brought by the equipment. (4) A saving of \$6632 on all the work and appliances brought by the equipment.

Saved \$6000 Annually Anticipated Cost \$12,000 Actual Cost \$3000

THE Massachusetts Electric Company, Wellesley, was planning to replace its equipment with new equipment. It decided to replace its equipment with the latest most up-to-date apparatus rather than to spend money on repairs. It replaced its main station at Cornwall with new General Electric equipment. It replaced its General Electric station with General Electric equipment. It replaced its General Electric station with General Electric equipment.

Results: (1) A saving of \$6000 annually. (2) A saving of \$6000 annually. (3) A saving of \$6000 annually. (4) A saving of \$6000 annually.

100% Return on a \$25,000 Investment

THE management of a General Electric company was confronted with the problem of building a better and, at the same time, less expensive, tin bridge. General Electric engineers helped with the problem. As a result, a new electrical system was developed for the bridge.

This system—Saves power alone—has since been used on many such bridges and has made possible less weight on the tin spans and hence a decreased interest of material for bridge construction. The savings arising on such bridges is more than fivefold. Furthermore, maintenance is simplified and maintenance and operating costs are reduced.

Annual Saving: \$16,800 Investment: \$3,900

THE even 4 months.

The problem: A General Electric equipment was installed with the cost and time required for the equipment. It replaced its main station at Cornwall with new General Electric equipment. It replaced its General Electric station with General Electric equipment. It replaced its General Electric station with General Electric equipment.

Results: (1) A saving of \$16,800 annually. (2) A saving of \$16,800 annually. (3) A saving of \$16,800 annually. (4) A saving of \$16,800 annually.

Dependability is difficult to include in specifications, but easy to get if you insist on General Electric equipment.

THE management of a General Electric company was confronted with the problem of building a better and, at the same time, less expensive, tin bridge. General Electric engineers helped with the problem. As a result, a new electrical system was developed for the bridge.

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INCREASED PRODUCTION MORE EFFICIENT OPERATION REDUCED COSTS

THE six gains shown in the above headlines are illustrative of the advantages that thousands of companies have obtained through availing themselves of the assistance of General Electric application engineers.

Opportunities for making outstanding gains are often not obvious. It may pay you, just as it has paid others, to start—today—a search for hidden opportunities in your plant. G-E application engineers will be glad to work with you or with your consulting engineers to find a profitable electrical solution of your problem. General Electric, Schenectady, N. Y.

GENERAL ELECTRIC

96-407

BUSINESS WEEK

SEPTEMBER 10, 1938

THE BUSINESS OUTLOOK

Inventories keep dropping, production keeps climbing, and unless Europe is convulsed by a disastrous war, the signs point toward continued recovery.

THE BEGINNING OF THE AUTUMN SEASON in business, which is generally dated from Labor Day, has found the two controlling influences which had developed during the summer still in the ascendancy. One of these is the domestic recovery; the other is the European crisis.

During the past week the markets, especially the foreign exchange markets, have continued jittery with the National Socialist Party conference in session and negotiations moving fast on the Czechoslovakian question. However, industrial activity in the United States has continued to forge ahead, disregarding the threats from abroad. In the absence of a European cataclysm, the evidence strongly favors a continuance of the recovery.

Freight, Steel, Autos

The figures for the past week, like those for practically every week since June, show further gains. The steady better-than-seasonal rise in carloadings lifted them last week to another peak for the year. While steel production is currently down from 44% to 40% of capacity, this is entirely due to the Labor Day holiday, and on a daily basis output is still advancing.

Automobile output seems to be ready to start on its usual autumn rise, following the beginning of assembly of the new models. Production of such items as shoes, textiles, paper, and tires is moving forward despite the recent and current pause in wholesale buying. Building materials, with lumber in the forefront, are advancing as a result of the gains in construction contracts planned and awarded.

Effect of Foreign News

If the foreign situation is cleared up through an agreement on the Czechoslovakian question which will insure peace in the immediate future, the psychological effect on the United States can easily prove important. If the conclusion of the Anglo-American trade treaty coincides with this, the

effects will be magnified. The British willingness to make trade concessions has been much increased by the European crisis and the desire to keep the United States as a friend and supplier of materials.

Down Go Inventories

Meanwhile, the favorable factors on which the business recovery is predicated are still in operation. First of all,

In the Outlook



INVESTMENT BANKERS stress the importance to the general business outlook of the currently accelerating volume of new security issues. In August underwriters did a better business than in any month in over a year. Thus looking forward to a happier annual convention this November than last, the Investment Bankers Association this week nominated Jean Carter Witter, above, to its presidency. A San Franciscan, Mr. Witter will be the first I.B.A. president from the coast.

inventories have continued their decline through the latest figures reported.

Department store inventories at the end of July were back to 67% of the 1923-1925 base, as compared with a 78% peak in August, 1937, and a 65% level maintained constantly throughout the first half of 1936, before the speculative rise began. If the declining trend has not ceased since the end of July, one may claim that the process of liquidation in this field has been at last completed.

The same thing may be true of wholesalers' inventories, which at the end of July were 16% below the year before. In many cases manufacturers' inventories have been similarly slashed—tires, building materials, shoes, etc. The reduction in both new and used car stocks has been striking, as a result of six consecutive months in which retail sales have run above production.

And Up Goes Output

The process of inventory liquidation is certainly not complete, especially in some of the industrial and heavy goods. Although one cannot predict how much further it has to be carried, it may be that the all-important factor will prove to have been the upturn in production this summer. Stocks which were still excessive three months ago, in terms of number of days' supply, may be no longer so today. If activity rises further, these same inventories may actually be, or at least will seem to be, inadequate. There is good reason to think the remaining liquidation can be effected coincident with a rising level of industrial activity.

Helpful Monetary Policy

The second basic factor on which further recovery is predicated may be summed up as government monetary policy. This breaks down into credit policy and spending policy.

The origin of the present program may be dated from last April, when the national Administration announced

its intention of proceeding to large-scale deficit spending and at the same time reversed its action of early 1937 in restricting bank credit through Reserve requirements. The effect of the new policies has not yet been felt to any extent, but they should count in the coming months.

A significant feature of the spending bill passed by Congress is that it requires actual construction on approved projects to begin within six months of the allotment of funds. This means that the first half of next year is likely to see the great mass of federal projects getting under way, and that any slackening of business which might otherwise occur due to the completion of inventory replenishment can be taken up by public works.

Phases of Credit Policy

The credit policy has several angles. One is the relaxation of Federal Housing Administration requirements, as a result of which a good-sized residential building boom appears to be in process of development. Another is the relaxation of bank examination regulations, which in time will doubtless have its effect. Another is the inflation of bank reserves, which should ultimately spill over into bank loans and investments and supply the power (whether healthy or unhealthy) on which business can carry on.

Wage-Hour Law Enforcer



THIS is Arthur L. Fletcher, North Carolina Commissioner of Labor, who this week accepted the post of assistant administrator in the Wages and Hours Division of the Labor Department. Working with Administrator Elmer F. Andrews, Mr. Fletcher will be responsible for obtaining compliance with the wages and hours provisions of the Fair Labor Standards Act.

Textiles—New Deal Guinea Pig

The industry had Code No. 1 under NRA, and it's the first to be tackled under wage-hour law.

ONCE AGAIN, the textile industry gets first place on the operating-table. It is Guinea Pig No. 1 under the new wage-hour act, as it was under NRA.

This repetition isn't just a freak coincidence. Because of its fundamental set-up, the industry is a natural-born guinea pig for what might be called social-economic legislation. Wages represent a very much higher percentage of the total cost factor in textiles than in most other industries. As such, they are the main competitive battleground. Price-cutting in textiles inevitably means wage-cutting. And when the latter becomes ruthless enough, the premium on good management, good machinery, good merchandising is removed.

Coupled with this fundamental condition is the equally basic fact that the textile industry is broken up into several thousand units, widely scattered geographically. No small group of manufacturers can determine policies or effect stabilization.

Then there is a third reason. The textile industry has been through 15 years of depression. It had its own private slump for six years before the rest of the country followed suit. This textile depression was compounded of: (1) over-expansion of plants during the war and post-war periods; (2) growth of the night shift; (3) North-to-South movement which added to over-expansion; (4) revolutionary influence of new fibers, particularly synthetics, and new processes; and (5) competition from new industries—automobiles, radios, movies—for the consumer's dollar.

Endeavors to Solve Problems

And so the textile industry was forced to seek a way out through co-operation. That accounts for the start of the Cotton-Textile Institute way back in 1926. Under the leadership of men of the caliber of Walker Hines and George Sloan, new paths were blazed to industrial leadership. Voluntary elimination of night employment of women and minors, voluntary reduction of the work-week to 55 hours on the day shift and 50 at night (it sounds queer now, but it was serious business then)—these were steps which represented a concerted attempt to solve the social and economic problems which the industrial pattern brought into being. Other branches of the industry also stepped out with their own programs—wool, silk, rayon, hosiery, underwear, outerwear, and others.

Their work started to take effect, when gradually the country slid to the

depths of 1932, and no voluntary action was able to halt that decline. And so, when NRA came along, the textile industry was most naturally the first to stick its neck out. Its need was great, its association set-up unsurpassed.

Now that another experiment in national industrial legislation is under way, the same industry again is inevitably the first patient. The depression of the last year hit textiles especially sharply—and the industry needs stability, particularly in maintaining its labor standards. It hopes to get it through the new act. Most ethical textile manufacturers want wage-hour legislation, as a protection against their unethical competitors. What they are afraid of is its administration.

Jurisdictional Issues Arise

First skirmishes, of course, have aroused sharp memories of bitter NRA wrangles. The initial attempt to set up a textile committee brought out that old bugaboo: jurisdiction. What branches of the industry shall be represented in the general committee, what ones shall go to other committees, which shall have committees of their own? However, thanks in part to Elmer Andrews' calm attitude there is no prospect of the friction of five years ago.

What actual effect does the industry expect? First, as to hours. The reduction of the national work-week to 40 hours by 1940 means nothing in textiles. The 40-hour week is now standard in the industry, and has been since Code No. 1. That over-night cut from 55 hours to 40 was one of the great accomplishments in industrial history.

Wage changes have been equally startling. In cotton textiles, for example, there was a jump from the low average hourly rate of 24¢ in 1932 to 37½¢ under NRA, and to 42½¢ by the end of 1937—the highest level in the industry since the inflation years of 1919 and 1920. Talk in Washington is that the minimum in textiles at the start may be 30¢.

As textile business went progressively sour in the last part of last year and the first half of this year, wage cuts ensued—averaging possibly 12½%. The wage scale is still relatively high for this industry, and what its leaders want is to keep it so—for selfish, not philanthropic, reasons. That's the important point about an established minimum wage; it is expected to provide protection—a sort of insurance against the wage-chiseler—which will prevent a recurrence of the bitter days of 1932.

"Texas TVA" Tangle

Electric Bond & Share makes an interesting offer to a state authority.

STRIKING when the Lower Colorado River Authority already had a peck of trouble, Electric Bond & Share Co. this week offered to sell an important segment of its Texas operating properties to this "Texas TVA." Both the timing and the terms of the announcement are interesting.

The Lower Colorado River Authority (this river is in Texas—it is not the Colorado on which Boulder Dam is built) is a state body set up to construct a water power, flood control, and irrigation project in East Central Texas. It's federally financed (both loans and grants), and it operates in a region afflicted by cloudbursts and droughts.

Floods Precipitate Issue

Only a month ago it was prominently in the news when it was discovered that flood control and power generation don't mix (as public utility engineers have so often pointed out). Came a cloudburst, and the authority's Buchanan Dam's pond was by no means empty. Head water and rain water inundated up-river towns and farms. Then the flow was released and the down-river area took the rap. Total estimated flood losses: \$8,000,000 to \$12,000,000.

This put the public-ownership advocates in a tough hole. Flood areas howled that if these dams were to control floods, their ponds should be kept low against emergencies. But the power houses can't operate on empty ponds, and the authority is striving for 25,000 kw. of firm power capacity. Of that, 5,000 kw. are earmarked for the city of Austin; the remainder, as called for, for other municipalities and cooperatives.

Company's Argument

Now the Texas Power & Light Co., controlled by one of Electric Bond & Share's big holding companies, has been trying ever since last March to buy the output of this "little TVA." Its talking points were effective. They went like this:

"Anybody knows you can't control floods and turn out 25,000 kw. of firm power the year round in this area. Texas Power & Light will buy all the power you have to sell at a reasonable price and pass any savings along in rate reductions. Then, when you haven't enough water to generate up to your full capacity, our existing plants will serve as stand-by generating stations to take up the slack."

But, no. The Lower Colorado River

Authority was steadfast in its intention to sell only to municipalities and cooperatives. Its full development meant duplication of much of Texas Power & Light's present service. To those who know the situation best, it looks like the private utility decided to force the issue, and it decided the method was to make a public statement of past negotiations' breakdown and to offer to sell out in 16 of the counties affected by the "little TVA" program.

That the terms on which Texas Power & Light has offered to sell the properties in these 16 counties won't please the public power advocates is

very clear. The company asks "reimbursement for our cash investment." It makes no mention of President Roosevelt's "prudent investment" theory of valuation; it doesn't even rely on "cost of reproduction." It just says: "We'll take what the properties cost us."

And it isn't an offer that will please the municipalities which want public ownership. They can get money from PWA on a 55% loan and 45% gift basis to build local distribution systems. If they were to buy private properties they would have to borrow the total purchase price.

War Deferred—Business Smiles

World markets respond to apparent postponement of Hitler's attack. Crisis over Czechoslovakia seems ended, with Nazis gaining what they wanted.

NOT UNTIL THE LAST weary Nazi delegation has left Nürnberg will the great gray hulks of the British battle fleet steam away from their special watches along the British coast, or the French forces along the Maginot line be reduced to peacetime numbers, though already Europe is convinced that the crisis over Czechoslovakia has passed.

Hitler has won a victory, though this fact is somewhat obscured by last-minute maneuvers by the Nazis to extract the best possible deal. As soon as the Hitler speech at Nürnberg on Monday definitely states the German stand, world business will go ahead with its plans for a busy winter, for the week's

last-minute tensions have not changed the belief of Europe's best informed business leaders that the crisis has passed—at least until next year.

Last April, at Karlsbad, Konrad Henlein, leader of the German minority in Czechoslovakia, made eight demands on the Czechoslovakian government, most of which Prague officials have now accepted with small modifications after being threatened for months by Germany and pressed more recently by Britain. In brief, these demands were:

1. Full equality for Sudeten Germans in the Czechoslovak state.
2. Recognition of the legal rights of the German minority, including the

Plowing Under Excess Cotton to Avoid Penalties



SOUTHERN COTTON GROWERS are developing a system for getting the most out of AAA's acreage quotas. They overplant their assignments, but—to keep in line for federal munificence—at harvest they plow under all but their original allotments. Above, a Georgia farmer plows under his poorest acres.

privilege of choosing local officials, police, and teachers from the German group.

3. Establishment and recognition of the boundaries of the territory in Czechoslovakia settled by Germans.

4. German autonomy throughout this territory.

5. Guarantees for Germans living outside the specified territory.

6. Removal of all injustices to the Germans.

7. German state employees for all German districts.

8. Full liberty for Germans to proclaim their Germanism and their adherence to the ideology of Germans.

Czechs Are Bitter

Face has been saved all around by the move, though Czechs everywhere are bitter. Prague retains its sovereignty over the Sudeten region, but Germany, by winning the right to have its minority create its own police force, man its public offices, and administer its local funds, is in a position gradually to force its will on the region. Because this region is important both to the heavy industries and defenses of Czechoslovakia, it will ultimately



Nazis, like this Buck Rogers fellow. . .

weaken that state tremendously. But for the present, the crisis has passed. Germany can afford to move slowly if that is necessary to avoid war, so long as Berlin is obviously going to accomplish its goal in the long run.

World business showed its confidence, even after receiving Thursday's disturbing news of the break in negotiations at Prague, that a compromise would be acknowledged by Hitler before the Nürnberg conference ends on Monday.

European currencies were under no extreme pressure. Stock markets were not very active, but prices remained unexpectedly steady. Commodity prices were actually firmer on good news in the metals group and reports of the improved consumption outlook in the United States.

Armament definitely remains a part of the business picture. So far, war has only been postponed. Many danger spots remain and the powers will continue to build up their bargaining positions for future crises by continuing their arms programs.

Britain will continue to be one of the largest buyers. Canada, in the last 10 days, has come more definitely into the picture (page 46) through the creation of a syndicate of manufacturers who will build war equipment for the British. France will not relax her vigilance, but a bad domestic political and financial situation may come to a head in Paris this fall and defer an effective program of speeding rearmament. Russia is expected to remain a big buyer of American equipment this winter, as well as the smaller countries bordering Germany.

Trade Deficit Hits Pound

The British pound is not likely to recover much above \$4.86. Pressure during the last few months has been due primarily to a mounting trade deficit (BW—Aug 13 '38, p. 39), which is not likely to be corrected while Britain is still placing enormous orders abroad for arms materials and equipment, and to a willingness on the part of British currency control authorities to allow the pound to slip for the sake of the export advantage it will give the British.

Gold is likely to flow to New York during the remainder of the year because business here is expected to improve more rapidly than in Europe, where, after all, the fear of war has been postponed, not removed. But the volume will shrink gradually if new constructive factors take hold.

Lag in Treaty Benefits

Within a very short time Washington and London are expected to announce the terms of the new Anglo-United States reciprocal trade agreement. Officials admit that a tremendous volume of business is affected by the new pact, but insist that its effects on world business—aside from the immediate psychological fillip—will not be important until after several months, when the tariff reductions will have been digested and business will have moved to reap the benefits. It is likely that negotiations on several other important agreements which will help to expand world trade will be started late in November.

As tensions in Central Europe are eased, the British are expected to exert all possible pressure for a settlement of the Spanish war in the shortest possible time, and hope that they will at the same time iron out their difficulties with the Italians and restore more normal conditions in the Mediterranean.

British Turn to Far East

Trade rivalry in the Danube will be intensified almost immediately. German trade officials are expected to open a new drive in these markets, which it is doubtful the British will block very effectively. Their energies will be turned to the Mediterranean, and to the Far East, where they are likely to press Japan for a settlement of the Chinese war which will possibly offer recognition of Manchukuo in return for abandonment of complete Japanese domination of the Yangtze Valley.

Farm Revolt Grows

THE CORN BELT farm revolt (BW—Jun 4 '38, p. 20) is growing along the orderly lines marked out for it after the mass meeting of 3,500 farmers at Macomb, Ill., four months ago. There are now 22 units of the Corn Belt Liberty League in Illinois, two in Iowa, and two in Nebraska. Tilden Burg, president, and other officers had open minds on suggestions that Indiana and Kansas set up state organizations, without county units, with the result that both states have organizations with large memberships. The Kansas unit, set up only a short time ago, boasts that it will soon have more members than either Illinois or Indiana.



... marching again at Nürnberg.

Television Was the Big Show at This Year's Radiolympia



Wide World

EACH year British radio manufacturers present their new models at a show which has come to hold the position, in public interest, that the automobile show does here. Two hundred-odd television sets were the big attractions at this year's Radiolympia.

And the most interesting of these was the "monocle receiver" (above, right). The instrument is built along the lines of a telephone. The 2-inch viewing screen is where the mouth-piece ordinarily would be. The set can be used in a lighted room.

Plan Dutch-U.S. Trade Friendship

Opening of Holland House, in New York, is a move to encourage closer business ties between the two countries. Oil companies back the effort.

DUTCH INVESTORS hold more than \$1,500,000,000 of American industrial securities and are planning now to increase their stake in this country's business future.

In cocktails prepared with orange coloring, Netherlands business leaders in New York and their American friends this week drank to the health of respected Queen Wilhelmina (of the house of Orange-Nassau) on the fortieth anniversary of her accession to the throne, and to the success of a new project designed to encourage closer business ties between the United States and the Netherlands.

Plan Netherlands Building

Holland House Corp., the new non-profit organization created a few weeks ago by some of the largest business interests in this country and the Netherlands, announced further plans. Construction will begin soon on a new 14-story building in Rockefeller Center, to be known as the Netherlands Building, in which will be housed the headquarters of the organization and of all the related groups, including the Netherlands Chamber of Commerce, the Netherlands consulate, and headquarters of the principal Dutch trading firms in this country.

Holland House will not assume any of

the duties handled by the Netherlands Chamber of Commerce. It is the purpose of the new organization to act as a central clearing house for all projects relating to major financial deals between the two countries.

Oil, Banking Represented

Backbone of the new organization is the oil companies. Every major American company is represented. Also members are the Chase National Bank and the National City Bank, both with large foreign offices scattered throughout the world. Able head of the new organization is Fenton B. Turck, Jr., vice-president of the American Radiator and Standard Sanitary Corp.

The oil companies already have huge investments in wells in the Netherlands East Indies. It is one of the world's great oil fields. Britain has been such a large collaborator with the Dutch in the economic development of their Far Eastern colonial empire that the Netherlands government several years ago, when serious unrest started in the Orient, quietly worked out a plan for the co-operative protection of their islands with British possessions in the same neighborhood.

Now the oil companies, which are receiving increasingly favorable treatment from a friendly government both in The

Hague and in the colonies, are cooperating with the banks and other large industrial interests to encourage further investment in the Far East. They will enjoy the full support of the Netherlands government as well as of the financial and commercial interests in Amsterdam.

Only three nations—Canada, the United Kingdom, and Japan—did a greater two-way trade with the United States last year than the Netherlands and its empire. Largely responsible for this huge business are the exports of huge quantities of oil and tropical products from the Far Eastern colonies to the United States, and a growing export business from this country to the Netherlands.

Rôle in Trade Competition

The business community—watching the trade battle between the totalitarian states with their closed economies, and the nations which are still fighting for freer international trade as a means of relieving economic pressure—is watching the Holland House move closely. After Britain and France, the Netherlands has the largest colonial empire of any European nation. At home, it is being pressed by its totalitarian neighbors. In the Far East, it has had to battle with Japan to maintain its place in its own colonial markets. Any move which tightens the ties which hold together the democratic states and enlarges the possibilities for greater trade among themselves gives them an enhanced bargaining power when meeting the competition of the totalitarian nations.

"One-Third of a Nation . . ."

National Resources Committee report on consumer income props President's favorite phrase, but analysis and interpretation alter face-value impressions.

THE NATIONAL RESOURCES COMMITTEE this week presented a report on the distribution of purchasing power in the United States which is notable from two standpoints:

1. It is the first study of its kind which is based—in part at least—on actual samples of consumer income and expenditures, and hence is not the result of purely statistical processes.

2. It lends a certain statistical validity to President Roosevelt's oft-repeated expression "one-third of a nation," but the data must be analyzed with economic and social reservations, lest the figures be permitted to speak too loudly for themselves, and the President.

In short, the report is a statistical landmark in the sense that it breaks down yearly distribution of the nation's income among 126,000,000 consumers,

segregated into 29,400,300 families and 10,058,000 individuals residing in hotels, boarding houses and rented rooms. At the same time, however, it is only a beginning of the collection, analysis, and interpretation of this type of overall statistics on purchasing power—for as years go by, there will undoubtedly be refinements in methods and reclassifications of data, which will lend greater probity to later findings.

Two statements from the report undoubtedly will get wide circulation, and it's well for business men to be prepared for them. They are:

(1) That 31.64% of the people (which is pretty close to "one-third of a nation") received less than 10% (9.56% to be exact) of the national income (see table, page 20).

(2) That 2.34% of the people (less

than 2½% will be the way it will be said) received incomes of \$3,000 or more, aggregating 19.69%, or nearly 20%, of the nation's income.

Both of those statements can do with analysis and interpretation. It is probable that the National Resources Committee's estimates are not far from the mark—much time was spent in checking and rechecking the data. Yet, it is not sound to jump to the conclusion that because 12,482,871 families and individuals had an average income of only \$455, all were necessarily "ill-housed, ill-fed, ill-clothed."

It's Not Enough

In cases where persons lived in cities and received incomes of less than \$750 a year, they were unquestionably close to the below-subsistence level of living. In other words, judged by urban standards of expense, a \$455 average income for the \$750-or-less-per-year-group was too low. Further, nearly one-third of this group received relief, indicating that their earned incomes were hardly sufficient.

On the other hand, most of this

Leon Henderson—Economist-at-Large

TAKE ONE CUP of what the government thinks about business, add a cup of what government is doing about business, and you've got a recipe for government policy as it will affect business. The consumer will be the judge of the result. Leon Henderson stands in the consumers' shoes. He is chief of staff of the National Economic Committee, which has the job of defining a coherent economic policy for the government, and as such it will be his job to short-circuit the almost inevitable confusion of ideas and give practical direction to the committee in its work of setting the pattern for the nation's industrial life.

Many business men know Henderson by reputation or by personal contact in NRA days. NRA Administrator Johnson started Henderson on his government career after the young Russell Sage Foundation economist attended a consumers' conference staged by NRA in 1934 and roused the General's admiration by the epithets which he leveled against the Johnson regime. Johnson put him in as director of research and planning and he was a member of the NRA board when the Supreme Court knocked the Blue Eagle off its perch.

In 1936, Henderson went on the Democratic National Committee's payroll and was turning out economic data for campaign use when he saw coming the slump that anti-New Dealers labeled the Roosevelt recession a year later. Since then Henderson has been Harry Hopkins' economic adviser in WPA, but like several other young New Dealers

he serves the Administration as sort of an economist-at-large.

Henderson doesn't regard himself as a braintruster. As the consumers' champion in the New Deal, Henderson keeps

an eye on prices, and he can swing statistics about them like a flat-foot floogie. He makes them show how rigid prices—a pet peeve of his—affect employment by their influence on the cost of living. The inevitable result of inflated prices, he says, is first a shrinkage of spending, then of production and employment. Incidentally, that is a line from a memorandum he wrote for Hopkins in the spring of 1937 when he predicted the near arrival of the recession and started arguing for resumption of government spend-lead operations. Henderson describes himself as a broker in economic ideas and he has the facility of lightly playing with outrageous notions—a facility so characteristic of other New Dealers and so disconcerting to serious-minded business men who think these impudent youngsters subscribe to everything they talk about. Sometimes they do and sometimes



they don't. In Henderson's case, the warmth of his social-minded concepts is somewhat cooled by facts dug up by gum-chewing economist Henderson. Henderson is a hale, rather hefty, chap. He likes the free-ranging activity that characterizes the New Deal. He works hard. Early this year he went into dry dock at Johns Hopkins for several weeks, came out 28 lbs. lighter. His job on the economic committee will take plenty of fast footwork and head work.

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SHORT-CUT KEYBOARD

Eliminates Needless Motions

**ALL CIPHERS
ARE
AUTOMATIC**

**SEVERAL KEYS
CAN BE DEPRESSED
AT ONE TIME**

**ENTIRE AMOUNTS
CAN BE WRITTEN
IN ONE OPERATION**



2	5.6 0
5	0.0 0
4	5.0
1	0.6 7
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3	9.0
1	0.4 0
6, 7 1	2.7 0
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7, 6 1	7.3 0*

**FOR EXAMPLE—YOU SAVE
69 OPERATIONS**
in listing and adding these
19 typical amounts

Take the above as an example of how thousands of needless operations can be eliminated by the Burroughs short-cut method. The amount 25.60, for instance, was listed and added by depressing the 2, 5 and 6 keys and the motor bar *all together, in one single operation*, instead of writing one figure at a time. The amount 6,712.70 was listed and added the short-cut way in two operations instead of seven. Thus, the short-cut method saves operations in writing any amount.

Let the local Burroughs representative show you on your own work—in your own office—what the Burroughs short-cut method of listing and adding amounts on Burroughs short-cut keyboard can actually mean to you.

BURROUGHS ADDING MACHINE COMPANY • DETROIT, MICHIGAN

SPLITTING UP \$59,258,628,000*

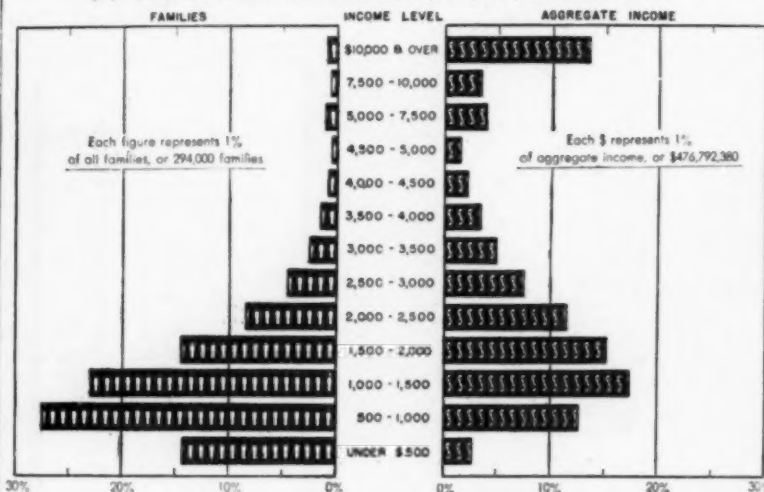
A Study of How 126,000,000 Persons Share the Nation's Income

(1) 29,400,300 FAMILIES AND 10,058,000 INDIVIDUALS SPLIT THE TOTAL THIS WAY—

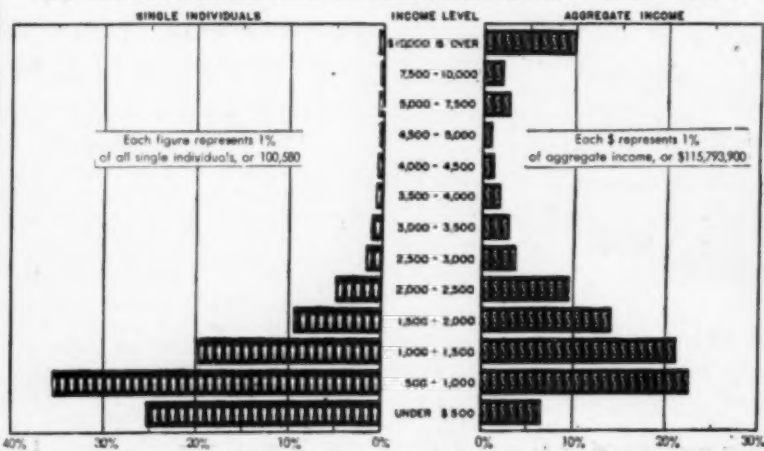
Income Levels	Families and Single Individuals				Aggregate Income			
	Number	%	Down	Up	Amount (in 000)	%	Down	Up
Under \$250	2,123,524	5.38	5.38	100.00	\$294,138	0.50	0.50	100.00
\$250-\$500	4,587,377	11.63	17.01	94.62	1,767,363	2.98	3.48	99.50
\$500-\$750	5,771,960	14.63	31.64	82.99	3,615,653	6.10	9.58	96.52
\$750-\$1,000	5,876,078	14.90	46.54	68.36	5,129,506	8.65	18.23	90.42
\$1,000-\$1,250	4,930,995	12.65	59.19	63.46	5,589,111	9.42	27.65	81.77
\$1,250-\$1,500	3,743,428	9.49	68.68	49.81	5,109,112	8.62	36.27	73.35
\$1,500-\$1,750	2,889,904	7.32	76.00	31.32	4,660,793	7.87	44.14	63.73
\$1,750-\$2,000	2,296,022	5.82	81.82	24.09	4,214,203	7.11	51.25	55.86
\$2,000-\$2,250	1,704,535	4.32	86.14	16.18	3,602,981	6.08	57.33	48.73
\$2,250-\$2,500	1,254,076	3.18	89.32	13.86	2,968,932	5.01	62.34	42.67
\$2,500-\$3,000	1,475,474	3.74	93.06	10.68	4,004,774	6.76	69.10	37.66
\$3,000-\$3,500	851,919	2.16	95.22	6.94	2,735,487	4.62	73.72	30.90
\$3,500-\$4,000	562,159	1.27	96.49	4.78	1,869,384	3.14	76.86	26.28
\$4,000-\$4,500	286,053	.72	97.21	3.51	1,202,826	2.03	78.89	23.14
\$4,500-\$5,000	178,138	.45	97.66	2.79	841,766	1.42	80.31	21.11
\$5,000-\$7,500	380,266	.96	98.62	2.31	2,244,406	3.79	84.10	19.69
\$7,500-\$10,000	215,642	.55	99.17	1.38	1,847,820	3.12	87.22	15.90
\$10,000-\$15,000	152,682	.39	99.56	.83	1,746,925	2.95	90.17	12.78
\$15,000-\$20,000	67,923	.17	99.73	.44	1,174,574	1.98	92.15	9.85
\$20,000-\$25,000	29,825	.08	99.83	.27	889,114	1.50	93.65	7.85
\$25,000-\$30,000	25,583	.06	99.89	.17	720,268	1.22	94.87	6.35
\$30,000-\$40,000	17,959	.05	99.94	.11	641,272	1.08	95.95	5.13
\$40,000-\$50,000	8,340	.02	99.96	.06	390,311	.66	96.61	4.05
\$50,000-\$100,000	13,041	.03	99.99	.04	908,485	1.53	98.14	3.39
\$100,000-\$250,000	4,144	.01	100.00	.01	639,006	.91	99.05	1.86
\$250,000-\$500,000	916	†	†	†	264,498	.45	99.50	.95
\$500,000-\$1,000,000	240	†	†	†	134,803	.23	99.73	.50
Over \$1,000,000	87	†	†	†	157,237	.27	100.00	.27

† Less than 0.005%

(2) THE FAMILIES DIVIDE \$47,679,238,000 THIS WAY—



(3) SINGLE INDIVIDUALS DIVIDE \$11,579,390,000 THIS WAY—



* Covers the 12-month period from July, 1935, through June, 1936.

Data: National Resources Committee

Business Week

group is concentrated in rural regions where costs of living are much lower than in the city. And in Southern areas where winter clothing and fuel expenditures are negligible, it is certainly sound reasoning to apply urban standards of living expenses.

There is another point, too. Among this very low group of income recipients are farmers. And their incomes include the value of foods produced and consumed on the farm. Now, the government in imputing values to food domestically raised and consumed, takes values at the farm, and not values in the urban markets.

In other words, the farmers' beans are estimated in the national income at the price the farmer would sell them for, and not at the price the city dweller would purchase them for. The result is a distortion, which makes the farmers' income seem lower than it actually is.

As to Upper Brackets—

Moving now to the upper-income brackets—above \$5,000 a year—another reservation should be made. These upper brackets have to pay highly graduated income taxes, but for the most part these taxes are not taken out of income received. Thus, the incomes in the higher groups have been inflated to some extent as a percentage of the national income.

Indeed, what has happened is that the lower bracket incomes are deflated to the extent that farm products consumed are taken at farm dollar values, while upper bracket incomes are inflated to the extent that federal income taxes are included as part of income.

Those reservations, however, do not wholly invalidate the implications of the National Resources Committee's statistics, pointing out that there is a heavy concentration of income—in proportion to population—in the \$5,000-and-above classifications. They merely serve to put the committee's data in proper economic and social perspective.

Data Point to Current Split-up

The report takes on a special significance at this time, moreover, because it covers the period from July 1, 1933, through June 30, 1936, for which the total income is estimated at \$59,258,628,000. That total should not be far off from the total national income in 1938, and hence it may be assumed that the distribution of income this year will roughly approach what it was in the period studied by the committee.

Data on the lower income groups were obtained to a large extent by the sampling method from the Study of Consumer Purchases, a Works Progress Administration project. Some of this material, relating to consumer expenditures, has previously been analyzed in

How your life insurance money comes home to boost!



1. Perhaps you've sometimes wondered what happens to the money you pay as life insurance premiums. Is it locked in a vault for safe-keeping? No. The money not required for current claims and expenses is put to work. It is carefully invested in first mortgages on real estate and securities paying a fixed rate of income, where the borrowers who are responsible to the insurance company for the payment of interest and the repayment of principal also manage and control the enterprise.



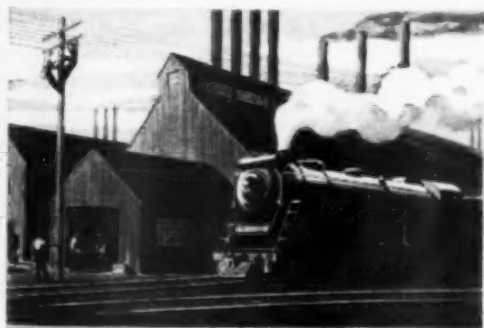
2. For instance, millions of dollars, held by Metropolitan for the benefit of its 29 million policyholders, are invested in Federal, state, county, and municipal bonds. You've seen *these* dollars come home to *boost* your community—in new roads, bridges, schools for your children, and a multitude of other public improvements.



3. Metropolitan has invested other millions of dollars in city real estate first mortgages. The chances are that right in your own community there are homes, stores, and office buildings that life insurance dollars helped to build... money that comes home to make your community a better place in which to live.



4. Still other life insurance dollars are sent out to work on farms—are invested in farm mortgages. Spread through the farming sections of many states, these dollars help farmers produce better crops, protect fertility of land, get needed equipment, and keep buildings in proper repair.



5. Life insurance dollars also have been busily at work in transportation, utility, and industrial bonds—helping to keep factories humming and men in jobs, helping to bring goods to you, and to move what you and your neighbors had to sell to other markets.

THIS, in part, is the story of what happens to the dollars your life insurance company holds for the benefit of its policyholders. These dollars are kept continuously employed, earning more dollars—and thus helping to pay the cost of your life insurance.

But your life insurance company's first responsibility is to *safeguard* these dollars. For eventually, when the need arises, the dollars contracted for in your policy must be paid to you—you, or your loved ones.

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This is Number 5 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.

Metropolitan Life Insurance Company

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**THE PRUDENTIAL
INSURANCE COMPANY
OF AMERICA**

EDWARD D. DUFFIELD, President
Home Office: NEWARK, N. J.

Business Week (BW—Apr 9'38, p.42; Jul 9'38, p.36).

To the extent that the samples provide an accurate cross-section of income and expenditures, the National Resource Committee's findings will be accurate. But there is some room for statistical error, particularly when housewives are asked questions about yearly income. Many of them in the lower income brackets, whose husbands or sons work in highly seasonal occupations or move from job to job, seldom think in terms of yearly income; hence their estimates of annual receipts may tend to be off.

For the higher income groups, the samples from WPA canvassers were corrected by tax returns, so that there is a double check, and a likelihood of

greater validity—except in so far as income tax payments are not excluded, and thereby inflate the number of persons in the \$5,000 and above class and also their aggregate share of the total income.

The report not only goes into the distribution of income by income levels, but considers regional differences, as did *Business Week's* study in the July 9 issue. Unquestionably, the report will become an important economic document in time, as the data are analyzed and interpreted and the statistical shortcomings become understood. Further, to business men interested in distribution, it will also provide a wealth of material in planning advertising and marketing campaigns.

Stock Exchanges Fight for Life

From New York to San Francisco, they are all busy on new plans to keep from starving to death. One way is by reducing the number of members.

WHEN the Cleveland Stock Exchange announced, a few days ago, that it would institute odd-lot trading in 43 securities, the plan threw into bold relief the fundamental problem confronting all exchanges, large or small: "How shall we keep from starving to death?"

A vast variety of plans have been put forward and all this discussion has heightened the technical character of the proposals, diverted attention from their extraordinarily simple significance. The problem boils down to the need of (a) more business, and (b) greater economy.

Reassuring the Customer

Most attention has been devoted to half a dozen plans for safeguarding the customer. If you convince a prospective customer that he's in safe hands, you'll probably get some business. The wooing of public favor explains why many of the exchanges have put through administrative reorganizations in compliance with a pointed suggestion from the Securities and Exchange Commission; why the New York Stock Exchange bounced the "old guard" crowd from the management; why all the exchanges are exploring every possible source of new listings as well as trying to increase trading volume in securities already listed; why the Big Board is carefully considering plans for a central repository (the Stock Exchange Trust Co. idea) to handle customers' funds and securities, for permissive incorporation to allow bonding of brokers, for more specific stock exchange control over non-member partners' activities.

Brokers are, in other words, willing to relinquish a lot of their old prerogatives if they can regain some of their old business. Moreover, they have gotten over the grandiose ideas of the 1920's and no longer have to maintain dozens of swanky branch offices with attendant fancy rentals and staggering wire leases. Several of the biggest houses have eliminated most of their branches and expensive leased wires. Number of branches has dropped from 1,658 in 1929 to 1,075 the middle of this year. Few will pay the rent for out-of-town correspondents any longer. As home-office leases expire, firms move into less expensive quarters—and a lot of the very big houses have simply merged and moved in together.

Many another plan looks to much the same end. The Chicago exchange has bought up some of the memberships to concentrate the available business in fewer hands, and the Boston exchange would do the same thing if officials felt it would do more than eliminate inactive members who haven't been doing any of the business anyway. The New York Stock Exchange wants desperately to retire some of its memberships, but can't see its way clear to go into debt to do it.

Big Board Seeks Business

To increase its business, the New York Stock Exchange is considering the abandonment of its time-honored and high-minded rule against splitting commissions. It has eyed London where banks and non-member brokers are given a cut on the business if they bring it to the exchange.

Along the same line, the Big Board

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also is considering the possibility of admitting associate members who would pay smaller fees than full members and would be charged smaller commissions than the public. But that isn't a patch on the New York Curb's latest plan—first, second and third class seats. The Curb already has associate members and is talking about taking in a new group to be called registered associates.

Going After New Business

However, probably the broadest and most aggressive new business push of all is that launched by the exchanges outside New York City. It centers around the idea that orders originating within a territory might just as well be kept at home, even though the primary market is in New York. The most popular method is provided through a local odd-lot market to fill small orders on the basis of New York quotations. Exchanges like those in Boston, Philadelphia, and San Francisco have been leaders in building up unlisted odd-lot markets; Chicago hasn't an unlisted market but has been seeking to gain the same end by cut-rate listing of securities already listed on the New York markets.

To a lesser extent, these smaller exchanges have sought the right to trade in "New York stocks" in round lots as well as odd. The idea there is that a member of a local exchange getting an order of 100 shares or more of a Big Board stock could execute the order on his own exchange without sending it to New York (where he would lose the entire commission if he weren't a Big Board member).

Yet the odd-lot business is the profitable one. Take the Boston Stock Exchange, for example. This market is doing the largest business of any outside New York. It has advertised widely in New England the fact that it can give prompt executions in a long list of securities in which the primary market is elsewhere. It sends dealers a handy list of these securities. It stresses the fact that there is a tidy saving on transfer taxes on transactions in Massachusetts compared to New York.

How Boston System Works

The Boston market has designated dealers to handle odd-lot transactions in specified Big Board securities. When the dealer receives an order, he marks the time on it. Exactly three minutes pass and then he fills it at the next price recorded on the New York Stock Exchange's ticker tape. Each minute an electric clock stamps the time on the ticker tape so that there isn't any argument about when an order should have been executed.

This system didn't meet SEC ap-

proval at first. The commission was all in favor of the independent auction market—a market in each city where the price is determined by the free play of bids and offerings. That, the small exchanges finally convinced the SEC, wouldn't give nearly as good execution as the method of following the New York ticker. And you'll have an awful fight on your hands if you try to convince any dealer in odd-lots on the Boston Stock Exchange he isn't giving every bit as good execution as the biggest odd-lot house in New York.

In the matter of broad SEC regulations, the problem of the small and large exchange is not always the same. For example, the talk about broker-dealer segregation still scares members of small exchanges to death. They feel that the Big Board's largest commission houses might not be hurt badly by confining themselves to the role of broker (acting exclusively for others). But they contend that most of the New York Stock Exchange houses would be seriously hurt if they couldn't trade for themselves (as dealers) as well as for others, and that the members of small exchanges would be ruined.

Proposal on Underwriting

Incidentally, the principal segregation measure now being discussed is limited in its scope. It would have stock exchange members segregate capital used in the underwriting of securities from that used in general brokerage. The object is to protect customers from firms' losses in underwriting new securities. That step is advocated by many of the big New York houses, and, in case you haven't guessed it, is part and parcel of the idea of wooing public confidence—and business.

Real Estate Pickup

Residence building up in 17 states. Apartment house picture particularly encouraging.

REAL ESTATE, due to a combination of favorable influences, today presents a picture as cheerful as any to be found in American business. In the first six months of this year, according to estimates made by the Bureau of Labor Statistics, the number of residences built or started in each of seventeen states exceeded the number whose building was started in the corresponding period of last year.

What is possibly more important is that apartment house building, according to figure-filled reports made to the home office of the National Association of Real Estate Boards in Chicago, has begun on a substantial scale in nine important cities.

Moreover, FHA mortgages made in

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The great white *Empresses* hold every speed record to and from the Orient. 10 days direct to Yokohama by *Empress of Asia* or *Empress of Russia*. Or only three days more via Hawaii by *Empress of Japan*, largest and fastest on the Pacific, or *Empress of Canada*. Connect at Honolulu from California ports.

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the first six months amounted to \$276,514,000, a leap of 13% over the corresponding period of last year, while old and new mortgages taken over by the Federal National Mortgage Association, the mortgage-financing instrument set up by the RFC, amounted to \$43,000,000 in the same period. The FNMA is currently plumping \$285,000 a day into real estate mortgages and would be putting more into them except for the fact that banks and insurance companies—especially the latter—have shown a marked revival of interest in real estate paper.

The Bureau of Labor Statistics estimates the number of residences completed or begun in the first six months at 120,000. New York State leads the list with 34,600, followed by California with 16,500 and Texas with 9,100. States in which the number of residences finished or started exceeded the number started in the first six months' period last year are New York, New Hampshire, Texas, Iowa, Minnesota, North Dakota, South Dakota, Georgia, Maryland, Virginia, North Carolina, Kentucky, Louisiana, Oklahoma, Nevada, Wyoming, and Washington.

Cities in which apartment building has begun on an encouraging scale are Washington, D. C.; Richmond, Va.; Louisville, Ky.; Newark, N. J.; Miami, Fla.; Harrisburg, Pa.; Schenectady, N. Y.; Long Beach, Cal.; and San Antonio, Tex. Washington has finished or begun construction of 42 buildings

containing 491 apartment units. Richmond is putting up three buildings containing 400 units; Louisville, three buildings (354 units); Miami, 14 buildings (100 units); Harrisburg, 10 buildings (125 units); Schenectady, seven buildings (75 units); Long Beach, 17 buildings (52 units); and San Antonio 10 buildings (42 units).

New Fashions Delight Jewelers

High hair-do's make room for a lot of gems, and these are largely pre-1900 styles. Men's jewelry, too, harks back to the modes of long ago.

AT MANHATTAN'S Hotel Waldorf-Astoria last week 5,830 people registered at the 33rd annual convention of the American National Retail Jewelers Association. That was about 800 better than the year before, and the increase occurred in spite of the fact that this year the jewelry business hasn't been any too good—about 15% under 1937.

At the convention, though, optimism prevailed, and the story pretty nearly everywhere was, "Well, confidentially, our business is O.K.—but with everybody else, of course, it's terrible."

Last December retail jewelers sales began to slip, though the 1937 total was still the best since 1929—\$310,764,000. This year the trade expects to see an upturn in October, and Decem-

The apartment house rent curve is another encouraging sign from the standpoint of real estate ownership. After dipping slightly last autumn and turning definitely downward early this year, it turned upward in May and the trend continues. For the country as a whole, apartment house rents currently stand at 66% of the 1926 level.

ber is expected to be as good as and probably better than it was in '37. In December retail jewelers do about 27% of their total business. Christmas and wedding business together account for about 50% of all sales.

Diamonds, of all the commodities handled by the retail jeweler, account for 28% of his business, watches about 18%, sterling silverware 10%, repairs and engraving 9%, gold and platinum jewelry 6%, other jewelry 5%, plated silverware 5%, costume jewelry 4%, glassware, chinaware, lamps 4%, novelties, souvenirs 4%, optical goods, pens, pencils, clocks, etc., 3% or less each.

Diamonds are and always have been the backbone of the business. This year the diamond industry had its first setback since the summer of 1932. It did, however, start to show a slight improvement in May. Trade in industrial diamonds picked up, probably partly due to the armament race, and there was, as there always is in parlous times, some investment buying of diamonds. Mine production this year is about at the 1937 rate of 9,000,000 carats, or a little less than two tons, worth \$44,000,000 at the mine.

Diamond Imports Fall

Because jewelers were selling from stocks—in diamonds as well as in all the other commodities on their shelves this year—imports have been small. Uncut diamond imports for the first six months of this year were valued at \$3,401,745—or 64% of what they were for the same period last year. Cut stones, valued at \$5,603,900, were only 33% of last year, and industrial diamonds, worth \$1,773,484, were 51%.

Though diamonds are the staples of the jewelers' trade, jewelers are luring the customers back into their stores again with other come-ons. Feminine fashion this year is, of course, the jewelers' delight. The ladies are supposed to wear their hair piled up on their heads this year, and this exposes a large expanse of neck and ear for the jewelers to cover. They're

MARKETING ANGLES

CHAIN STORE REFERENDUM

OF ALL THE 22 state chain store taxes, only Colorado's was passed by popular referendum. That was four years ago, and the campaign the chains ran against the Colorado tax at that time was strictly perfunctory. By 1936 they were in better fighting form, and when California had a referendum on its \$500 a store chain tax, it was voted down by a majority of 300,000—thanks to the campaign conducted by Don Francisco and his henchman, Ted Braun. The chains, represented by Braun & Co., are back in Colorado now, starting on their toughest campaign so far—for repeal of the Colorado tax. The referendum is set for Nov. 8.

HI-YO, SILVER

THE FEDERAL TRADE COMMISSION swooped down from the hills and lassoed the sponsor of the Lone Ranger this week, charging the Gordon Baking Co. with making false representations in its newspaper, circular, and radio advertising concerning Silver Cup Bread. The ads, says the FTC, claim that each one-pound loaf of Silver Cup

contains two-thirds of a pint of fresh whole milk, when, for a fact, the milk used is condensed and in quantity less than the equivalent of two-thirds of a pint of fresh whole milk.

REGULATING RADIO GADGETS

THE FEDERAL COMMUNICATIONS COMMISSION is getting ready to regulate the radio gadget business. It has already prepared a set of rules and regulations on the manufacture and use of control devices. On Sept. 19 a conference of radio engineering experts will look them over, inevitably do some revising before they're handed out to the industry.

GUARDING LIQUOR PRICES

NEW JERSEY has more than its share of liquor price wars—in spite of fair trade contracts. After Sept. 15, though, according to new regulations put through by the State Department of Alcoholic Beverage Control, retailers who cut prices on fair trade items will have their licenses promptly suspended or revoked—which ought to mean a lot less price-cutting in Jersey.

concentrating on such pre-1900 items as pendant earrings, big necklaces, jeweled combs, barrettes, hair clips, and even (God forbid) tiaras. Gold jewelry set with semi-precious stones, which haven't been around in a number of years, is back on their shelves. And so is flower jewelry (replicas of various flowers) and chateleine watches—the kind that mamma used to pin on her shirt-waist.

Even men's jewelry has a 1900 flavor to it. Men's jewelry has been having a renaissance in the past couple of years, what with the French cuff shirt making its reappearance, and the stick-pin. The pocket watch is enjoying a revival as well—a fact which must have some kind of sociological significance. Last year the industry produced \$60,000,000 worth of watches and watch movements, a total that topped even 1929; and whereas, in 1935, one jeweled pocket watch was made to every 21 jeweled wrist watches, in 1937 the ratio had hopped up to one to 12.

Wooing the Customer

The average jewelry store nowadays carries a far more varied line of merchandise than it used to. The credit jewelers, who anyone is willing to admit are the smartest merchandisers in the field, started that trend. Credit jewelers sell more electric shavers, for example, than any other type of outlet does. Some have even gone so far as to install separate appliance departments in their establishments to sell stoves and refrigerators. Independent jewelers, keeping pace with their brothers, are tending to institute modified credit plans of their own to keep the customers coming in, in spite of hard times. And last month the jewelers' trade paper, *Jewelers' Circular-Keystone*, instituted a campaign which it hopes the trade will pick up, "Let's tell the world that jewelry stores are not luxury headquarters."

Last week's convention, though it finished up without setting any definite course of trade policy, approved legislation which requires licensing of all watchmakers, similar to the Wisconsin law, which sets up a state board to examine and register watchmakers. Similar legislation is to be introduced into about 20 legislatures next winter by state jewelers' associations. The convention further recommended that state associations work for second-hand watch laws, requiring jewelers to advertise and tag second-hand watches as such. The court decision upholding the FTC crackdown on the wholesale-retail jeweler, L. & C. Mayers (BW—Jun18'38), was cheered, and it was recommended that manufacturers remove their merchandise from the catalogues of all so-called "wholesale jewelers" who claim that they sell direct to the consumer at wholesale prices.



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RUGGEDWEAR, made with cellulose, is the one resurfacer that may be depended upon to make a smooth, solid, permanent patch, right up to a feather edge.

Stop accidents . . . improve plant efficiency . . . use this durable material for repairing holes, ruts and cracks in concrete floors. Stands up under the heaviest floor traffic. No chopping or chipping required. Merely sweep out the spot to be repaired—mix the material—trowel it on. Holds solid and tight right up to the irregular concrete edge . . . leaves no joint or crevice to become chipped and filled with dirt. Provides a firmer, tougher, smoother, more rugged wearing surface. Dries fast. Used for patches or over an entire area . . . indoors or out. Costs only 10c to 14c per square foot.

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NEW PRODUCTS

New processes . . . New designs . . . New applications of old materials . . . New twists on old ideas . . .

Earlier this year, Oscar Week, 622 Adams St., Wausau, Wis., invented the Bail-Key, an extension of the bail of a friction-top pail which made it unnecessary for the user to hunt around for an opener (*BW—Mar 19 '38, p. 37*). Meanwhile he has developed the Wee-Kee which is now being used by General Can Co., Chicago, for friction top



cans. General has patented a cover indented to carry the little key safely to the ultimate consumer. A drop of solder holds key in place.

One of the sales engineers of Warner & Swasey Co., Cleveland manufacturer of turret lathes, has just developed a pocket slide rule which simplifies the pre-calculation of profit possibilities of all kinds of equipment purchases.

Calking window frames and doors against the intrusion of wintry winds, street dust, and moisture becomes a simple job with the Lasticalk Calking Gun of Lastik Products Co., Inc., 734 American Bank Bldg., Pittsburgh. One



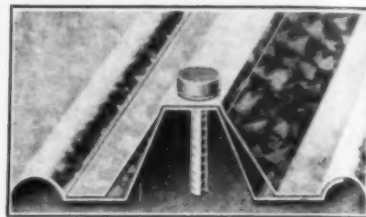
pint cartridges of calking compound slip into the gun with no trouble at all, enough to do 20 lineal ft. of $\frac{1}{2}$ -in. bead.

Most recent application of collapsible metal tubes outside the field of simon-pure packaging is in the new Quixy Fire

Extinguisher which contains 8 oz. of fire-fighting liquid. A squeeze on the tube will squirt its contents about 10 ft. Quixy, Inc., Elizabeth, N. J., makes it with tubes furnished by Sun Tube Co. of the same city.

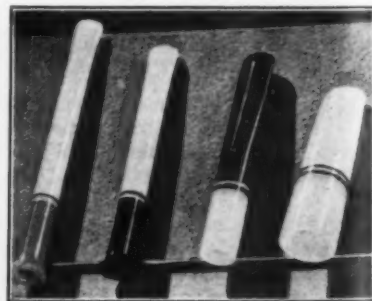
Small advertising thermometers produced by Ohio Thermometer Co., Inc., Springfield, O., protect their message in sealed flat oval glass tubes flat enough in cross section to slip into pockets like fountain pens. Various kinds of clips to hold them are available.

A patented spring-pressure lap is featured in the new Armeo Galvanized Seal-Krimp Roofing wherewith adjoining sections are held snugly together with spring tension at three points. American Rolling Mill Co., Middletown,



O., is now prepared to furnish the roofing in three grades of metal: copper-bearing steel, open-hearth steel, and Armeo Ingot Iron. Company's galvanized Paintgrip finish is recommended for roofs to be painted immediately.

Woven glass is the material in the filters of the Ledross Cigarette and Cigar Holders of Lederer, Ross Co., 26 Down-



ing St., New York. Holders themselves are fabricated from Bakelite cast resins. Filters may be cleansed easily with Ledross cleaning fluid or hot water or alcohol or almost any detergent.

Woven glass is also the material in new anode bags now being introduced to electroplating by Hanson-Van Winkle-Munning Co., Matawan, N. J. In the deposition of smooth nickel plate

as an undercoat for chromium plate, it was necessary to develop bags of nickel anodes which would resist acid action.

Sneak thieves and other intruders will get an unholy surprise when they try to enter doors and windows protected by



the brand new Hulst Alarm-Lantern, invention of Clarence P. Hulst, 23 Washington St., New York. Simply set on the floor against a door, it will tip over as the door is eased open, flashing a brilliant electric searchlight in a sneak's eyes and dinning his ears with a loud buzzer, both of which continue to operate until the owner turns them off. Inbuilt battery has capacity enough to keep both going for several hours.

The makers of the Handee Grinder, Chicago Wheel & Mfg. Co., 1101 W. Monroe St., Chicago, are extending their basic ideas of portability to the new motor-driven Handee Portable Electric Ironer. It is so light in weight that the homemaker can carry it to any pleasant part of her home.

Minimum exposure to infection and infestation is afforded by the Sperzel Super Sanitary Toilet Seat. Sperzel



Modern Seat Co., 4027 Oakland Ave., Minneapolis, makes it of stainless steel and Bakelite, the latter molded by Chicago Molded Products Co. Special tissue sleeves to fit on the arms of the seat are also available.



LOST: A \$4,500⁰⁰ Contract!

WESTERN UNION
FIVE TEN CHICAGO ILL 6 9310

SMITHSON BIDS CLOSE TOMORROW 3 PM.
IMPERATIVE OUR BID GO OUT TODAY.
ELLERY.

11.05 MUST GET OUT THIS SMITHSON ESTIMATE AT ONCE, MISS GREENLEY.

YES SIR.

12.05 CAN'T GO OUT TO LUNCH TODAY. RUSH JOB FOR MR. BRILL.

TOO BAD.

2.45 ALL RIGHT, MISS GREENLEY. MAKE THE FINAL COPY.

NOW IT'S ALL O.K.

4.23 HARRY, BE SURE THIS LETTER GETS OFF TONIGHT.

YES, MAM.

7.25 SIGN HERE, MR. BRILL.

THANK HEAVEN THAT'S ON ITS WAY.

COLLECTIONS

AM	PM	AM	PM	SUN	MON
10. PM					

WESTERN UNION
HIGEST IN CHICAGO ILL 7 6459

ESTIMATE ONLY ARRIVED THIS MORNING.
DAY LATE. WHAT HAPPENED.
ELLERY.

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Hydraulic Mining

Old California gold-getting industry will resume work, with big hopes.

BUSINESS OF THE PACIFIC COAST is beginning to take an active interest in the fact that California's \$100,000,000 hydraulic gold mining industry, inactive since 1884, is likely to be in full swing about this time next year, with the roar of the hydraulic giants echoing once again in the canyons of the Sierra Nevada.

This means an extensive demand for equipment by the mining groups planning to enter the field as soon as the three dams, to be built by the Government and designed to impound debris from their operations, begin to function. Work on one of the dams (Bear River at Dog Bar on the North Fork of the American River northeast of Sacramento) is already under way. Bids are to be called for this month on construction of the key dam—the Upper Narrows Dam on the Yuba River, northeast of Sacramento. This assures beginning of actual hydraulic operations by half a dozen companies next spring. Contracts for the Ruck-A-Chucky Dam on the Middle Fork of the American River are to be let within the next few weeks.

Allocation of \$1,000,000 of War Department funds, added to previous ap-

propriations by Congress, guarantees construction of all three projects which will come to a total cost of about \$7,000,000.

Operators are preparing to rebuild ditches and flumes for their water supplies this summer so that mining activity can begin as soon as dams are high enough to impound debris.

Mining men recall that in 1884, when the "Sawyer decision" was handed down by the United States Circuit Court of Appeals, and hydraulic mining in the Sierra Nevada was wiped out overnight, the industry represented an investment of \$100,000,000, with 6,000 miles of ditches and a yearly production of \$10,000,000 to \$12,000,000. Competent observers do not hesitate to predict that the revived industry will reach its former stature in amount invested and value of production.

Operators Hit by Decision

The "Sawyer decision" enjoined the hydraulic miners of 1884 from dumping their tailings where they would clog navigable streams and destroy farmlands, but allowed operations to continue if debris were impounded satisfactorily. Private operators couldn't afford to build the elaborate dams necessary and all activity was abandoned. The industry has done a Rip van Winkle since then. Recently, the higher price of gold has given an impetus to revival and to the idea of government-constructed dams.

A long and laborious campaign by the sons and grandsons of the men who originally held rights to work the placer lands in the Sierra Nevada area culminated in approval of the debris dam project by Congress in 1935. At the request of the War Department, Congress, in 1936, appropriated \$100,000 for "final exploration work." With that completed, funds have been made available from various War Department appropriations (the last \$1,000,000 was allocated at the last session) to build the three structures. The government has required operators to guarantee that they will move sufficient yardage in 20 years to repay cost of the work (they will pay a tax—as yet undetermined—on each cubic yard of gravel mined).

An official survey by the State of California in 1935 reported gold-bearing gravel on the Yuba and American rivers at 604,000,000 cubic yd. with a gross value (at \$35 an ounce) of \$111,500,000. Most observers believe this estimate to be conservative.

Incidentally, one of the 500 mines active in 1884 is still operating. Fred Joubert, grandson of the original owner of the Depot Hill Mine in Sierra County, built his own dam for impounding debris and has never failed to produce gold each year since 1885.

New Vacuum Pumps

Dr. Hickman's designs come close to making zero pressure a reality.

ZERO PRESSURE is the theoretical goal of every designer of vacuum pumps. The lower the pressure, the broader the range of potential usefulness, and the more things the pumps may be made to do. The "shell of emptiness" surrounding the workman's lunch-kit thermal bottle may be made emptier still, the better to keep his coffee hot or his iced tea cold. Large continuously evacuated x-ray tubes may be more thoroughly evacuated, the better to relieve the ravages of cancer. Now come Dr. Kenneth C. D. Hickman and his associates in the Research Laboratories of Eastman Kodak Co., Rochester, N. Y., with new designs for pumps which produce vacua so high that no instrument known will measure their emptiness. Careful calculations indicate that vacua already achieved therewith come close to the vapor pressures of the pumping oils employed, viz., 1/100,000,000 mm. of mercury—almost incredibly next-to-nothing.

Originally developed to cope with problems of photographic film drying during manufacture, the patented Hickman Vacuum Diffusion Pumps do not look like pumps at all. In some of their forms they somehow resemble glorified coffee-brewing machines or pre-Repeal stills. They have no visible moving parts. Their inlets and outlets are connected by clear passages uncluttered by flapping valves or spinning whirligigs, yet they work with surprising efficiency.

Oil Vapor Method Used

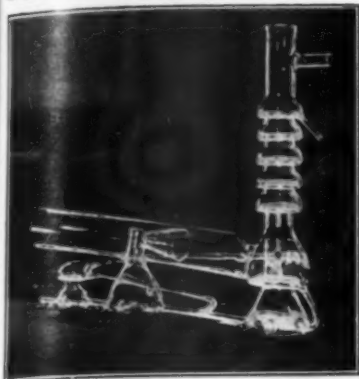
In place of the whirling impellers or reciprocating pistons of more orthodox pumps, diffusion pumps utilize beams of oil vapor. Molecules of the vapor seize upon molecules of the gas or air which is being exhausted, carry them along to the inlet of a mechanical pump, and abandon them under conditions which permit the mechanical pump to complete the work of ejection.

Underlying principles of diffusion pumps, whose discovery is attributed to Dr. Langmuir of General Electric Co. and others, have not always worked with full freedom because of impurities which might be introduced with the oil during operation. Present pumps detour this difficulty by applying a simple yet unique fractionating principle. Briefly the pumps are so constructed that they purify their own oil while producing vacua. Impurities are split off and deposited outside the main streams of the pumps,

Record Fur Shipment



PART OF THE LARGEST SHIPMENT of mink ever to cross the continent—\$200,000 worth of the valuable animals—is unloaded at Los Angeles after traveling from Garland, Maine. The fur aristocrats were consigned to the Charles S. Harriman fur farm in Torrence, Calif., and were shipped by Gertrude E. Fox, one of the largest breeders of fine Labrador mink in the United States.



HICKMAN'S DIFFUSION PUMP looks like a pre-Repeal still, but it produces an unmeasurable emptiness.

while the bulk of oil, continuously becoming purer and cleaner, is returned for use again and again. New oils, low in vapor pressure, have been developed for pump use.

Principal applications of the new pumps will be found in industrial and academic laboratories, but many will be used in day-to-day production. Artificial radio-active material may be more readily produced by nuclear bombardment under higher and higher vacua. Production of large radio transmitting tubes will be easier; manufacture of electronic cells, cathode ray tubes, neon and other glowing gas lights will be facilitated. The pumps may well have many uses in the field of commercial evaporating—in the making of optical parts, electrical condensers, resistors, microphones, and other apparatus.

Other Applications of Pumps

In the research laboratories, high vacuum pumps may be applied with advantage to atom-smashing Cyclotrons, to high-voltage discharge tubes, to improving the operation of vacuum spectographs, to the preparation of special chemical compounds.

About three months ago, Eastman Kodak Co. and General Mills, Inc., organized Distillation Products, Inc., Rochester, N. Y., for the purpose of exploiting "inventions, products, processes, and machinery, in the field of molecular distillation, particularly in the field of vitamins." This new outfit will not only extract vitamins with the new Hickman pumps; it will make the pumps available commercially to science and business generally.

Hosiery-U. S. Deal

Dexdale company will put up \$320,000 to finance home-steaders' factories.

WASHINGTON (Business Week Bureau)—Dexdale Hosiery Mills, of Lansdale, Pa., has made a deal with the Farm Security Administration and govern-

"Daddy COMES HOME TOMORROW"

Because Daddy now flies on his business trips, he comes home tomorrow instead of days later. Thanks to swift, secure Douglas wings he has more time THERE yet is home sooner for the very important business of being "Daddy." Modern wives and mothers are grateful for air travel which allows husbands and fathers so much more time with their families.

DOUGLAS AIRCRAFT CO., INC., Santa Monica, Calif.
Write for free brochure describing the great new Douglas DC-4.

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AMERICA'S LARGEST AIRCRAFT BUILDER

"GO DOUGLAS" ALL THE WAY ON THESE WORLD-WIDE AIRLINES

NORTH AMERICA: American Airlines Inc. . . . Braniff Airways . . . Eastern Air Lines . . . Pan American Airways . . . T. W. A. . . . United Air Lines . . . Western Air Express . . . Wilmington-Catalina Airline . . .
SOUTH AMERICA: Pan American Airways . . . Pan American Grace Airways . . . **AUSTRALIA:** Airlines of Australia . . . Australian National Airways . . . **EUROPE:** A. B. Aerotransport, Sweden . . . Air France, France . . . Avio Linee Italiane, Italy . . . C. I. S., Czechoslovakia . . . K. I. M., Netherlands . . . L. A. P. E., Spain . . . L. A. R. E. S., Roumania . . . LOT, Poland . . . Swissair, Switzerland . . . **ORIENT:** China National Aviation Corporation . . . K. N. I. L. M. in Netherlands Indies . . . Japan Air Transport

Leaders in Industry

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In this asbestos-cement material, Johns-Manville offers a movable partition that may be relocated with 100% salvage of materials—an office wall that provides beauty, permanence and unusual ease of installation and relocation. Furthermore, Transite Walls are fire-proof and unusually resistant to sound transmission. They afford the same solidity and privacy as fixed building walls.

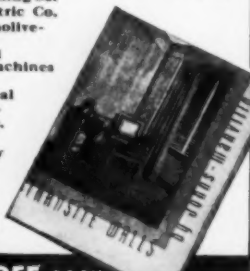
No wonder, then, that this all-purpose partition is the choice of many of America's best known business organizations. For full details, mail the coupon below.

ONE OF HUNDREDS of offices where Transite Walls provide beauty, permanence and mobility.



A PARTIAL LIST of the many large organizations using permanent Transite Walls to assure adaptability to future needs:

Aluminum Co. of America	Western Electric Co.
Eli Lilly & Company	Yardley & Co., Ltd.
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Send me a copy of the new Transite Walls book.

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BW-9-a

ment homesteaders to operate silk throwing plants and hosiery mills at Cumberland Homesteads, Tenn., Red House Farms, W. Va., and Skyline Homesteads, Ala. Negotiations are under way to operate a similar plant at Penderlea Homesteads, N. C., and a silk hosiery knitting plant at Bankhead Farms, Ala. Construction of the plants will be financed by government loans totaling \$3,050,000 to the homesteaders, organized as co-op associations, which will hold title to all physical property.

Profits to Be Shared

Intended to furnish part-time industrial employment, operating companies will be owned jointly by the co-op associations and the Dexdale company. Dexdale will put up a total of \$320,000 capital in the operating companies. This will be matched by the co-op associations and profits will be shared. The operating companies will have 45 year leases on the plants and their equipment. Dexdale will provide management services and control the operating companies. It will market the entire output of the plants. The operating companies will pay rentals on the plants sufficient to cover all payments to the government, plus all taxes, cost of maintenance, depreciation, and insurance. In addition, the associations will cut down the loans with any participation in profits above 5%. Payments to the government are to amortize the loan, with 3% interest, over 40 years.

Homesteaders will be given preference in employment at the plants. Operations will provide about 58 jobs at Bankhead Farms; 106 at Skyline, and about 170 at each of the others. Annual payrolls will range from an estimated \$50,000 at Bankhead, and \$100,000 at Skyline, to about \$150,000 at the others. Minimum wages and working conditions in the plants will be subject to approval by Secretary of Agriculture Wallace. Dexdale has assured the Farm Security Administration that the plan will not affect its operations in Lansdale, Pa.

Government Supplies Money

The homestead associations have borrowed or will borrow the following sums from the government: Red House Association, \$750,000; Cumberland Cooperative Co., \$750,000; Penderlea Farm Homestead Association, Inc., \$750,000; Skyline Industrial Co., \$490,000; and Homestead Industrial Co. (Bankhead), \$310,000. Most of the loans will be invested in the plants and equipment to be owned by the associations. The Dexdale company will invest \$80,000 in the operating companies at each of the first three projects; \$50,000 in the Skyline com-

pany, and \$30,000 in the Bankhead company.

Arthur Paul, vice-president of the Dexdale company, submitted the offer. His company has been engaged in producing and marketing hosiery for 19 years. Its total sales amount to about 350,000 dozen pairs a year. Complete equipment for conducting full-fashioned hosiery operations under modern methods will be installed at each of the plants except Bankhead, where only knitting operations will be conducted.

All five of the projects were started back in 1933 and 1934 from emergency and relief funds. They were later turned over to the Resettlement Administration, and finally to the Farm Security Administration. Red House Farms, 28 miles northwest of Charleston, has 150 family units; Cumberland Homesteads, two miles from Crossville, has 251 units; Penderlea Homesteads, near Willard in Pender County, has 193 units; Skyline Farms, 17 miles from Scottsboro, has 123 units; Bankhead Farms, 35 miles northwest of Birmingham, has 100 units.

Hosiery Agreement

Union and Pennsylvania manufacturers cooperate to prevent migration to South.

THE PROBLEM of how to keep the hosiery industry from taking the first train south is being attacked from several angles in Pennsylvania. Textile men, while believing excessive taxation responsible for the migration, recently set up a research unit to inquire into causes and means of prevention. The American Federation of Hosiery Workers hopes to meet the difficulty by abandoning its long cherished objective of a national wage contract. Both factions pin considerable hopes on new improvements in hosiery machinery effected at Philadelphia's Gotham Mills which, in the interests of keeping the industry from going south, have been offered without charge to Pennsylvania manufacturers.

Although the union offer to negotiate individual contracts with mill owners as an aid in meeting Southern competition found members of the Full Fashioned Hosiery Manufacturers of America, Inc., mildly divided on the proposal, the new agreement, effective Sept. 1, required apparently little negotiation. It provides a wage tribunal to enable employers to maintain a "competitive position" in the industry: "... if there shall occur a general decline or fall of earnings... in the industry, or if the cost of production on the same type and condition of equipment shall decline, or if general

conditions shall warrant a decrease, when any member mill whose competitive position is adversely affected thereby may request . . . a specific revision of its rates of pay. The wage tribunal may revise the rates of pay of the member mill in question, . . . after considering the operating conditions in the mill and the continued sound operation thereof."

Effect of these provisions will be to do away with public inspection of costs (including labor) and thus forestall Southern mills in underbidding those of the North. Union leaders also hope it will break up domination of the industry by retail syndicates which, knowing the costs of a mill's operation, are in a position to dictate the manufacturer's percentage of profit.

Provide for Greater Stability

Further stabilization of the industry is looked for in the three-year term of the contract, replacing the former one year agreement. The three year angle, it is believed, will remove the previous uncertainty among hosiery buyers in the period just before the new contract went into effect. Provisions against "strikes, boycotts, lockouts, picketing of any kind or form whatsoever, however peaceable, . . . demonstrations, displays or advertisements tending to excite sympathy or protest" will be in effect throughout the three years. The agreement sets up Dr. George Wharton Taylor, University of Pennsylvania professor, as the industry's "Judge Landis."

The new development in hosiery machinery was perfected by the manager of the Gotham Hosiery Mills, B. R. Eckstein. Declining the opportunity of patenting his improvement, Eckstein states he is making "this contribution without charge to Pennsylvania's hosiery industry." Eckstein's apparatus combines four machines into three. With it one man can turn out 24 stockings in 38 minutes in place of the former 18 stockings in 45 minutes. Stockings produced by the new method can be sold at considerably lower prices without reducing labor costs. Any displacement of workers is expected to be made up by the stimulus to the industry. Preliminary tests on the machine have proved "highly satisfactory" and tentative plans have been made for its installation in a number of Philadelphia mills.

Flowers Sells It

Firm of that name shows movie houses and stores how to attract customers.

"SELL IT WITH FLOWERS" is the slogan of Flowers, Inc., in New York, which is currently trying to sell advertisers on the idea that it's better to woo custo-

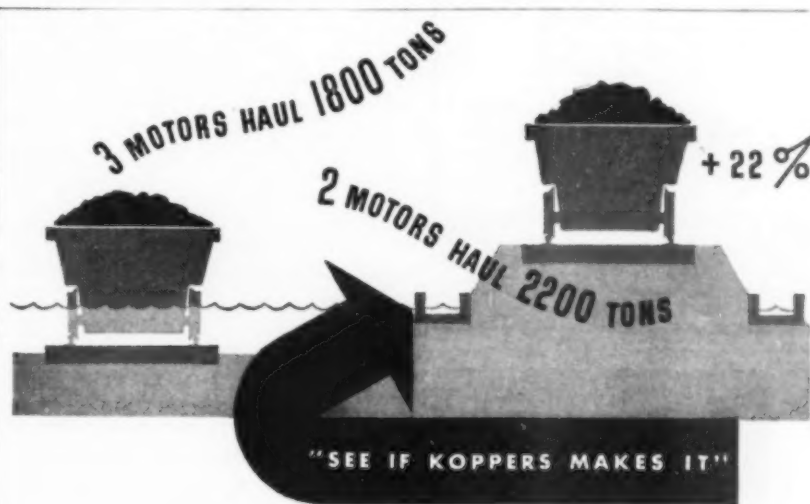
mers with posies than with mimeograph machines.

Flowers, Inc., which was originally a plain ordinary flower dealer down in Manhattan's flower-market district, got started on the present phase of its career when it tied in with the Gaumont-British film people on the opening of a new picture at one of the arty little movie houses in town. G-B wanted some of the town's "best people" to show up for the opening, and the way Flowers, Inc., went after them was to fix it up with the proprietors of a score or more of the higher-class restaurants (Stork Club, Rainbow Room, 21, etc.) so that the night before the movie's opening all the ladies at all these restaurants would be presented with free gardenias. A card attached told all about the opening.

That worked out fine. The next week

Radio City Music Hall tried the same stunt when "Algiers" opened there. This time the ladies got orchids. Next to pick it up were the high-class stores. Bonwit Teller, introducing a new Charbert perfume, had Flowers, Inc., distribute 375 gardenias to the girls at the swank restaurants at lunch time, and, on the attached card, promised a free sample of the new perfume to any lady who would take the trouble to trot over to the Bonwit Teller perfume counter. About 100 ladies showed up. Saks Fifth Ave. tried the same trick with a new Lelong perfume, got a 20% return on the 1,000 corsages that went out.

Now Flowers, Inc., which says its method costs advertisers from 5¢ to 12¢ per bouquet, is thinking of broadening out its plan to take in a few "middle-class" promotions too.



In the Crescent Mining Company's La Marsh Mine No. 1 at Peoria, Ill., the main haulage road ran through 1,500 feet of a "wet swag." Three haulage motors were needed to pull 1,800 tons of coal over this unstable track during each shift.

Two simple drain boxes were installed along each rib for the entire 1,500 feet; cross drains were installed as needed. (These drain boxes were built of pressure-treated pine lumber from The Wood Preserving Corporation and will not need to be replaced during their required life.) The track was then raised 1 to 6 feet with fill. This system drains the waters from the old workings to a central sump and keeps the track dry and solid. Two haulage motors now haul 2,200 tons of coal each shift, thus cutting production costs five cents a ton.

KOPPERS COMPANY • PITTSBURGH

"SEE IF KOPPERS MAKES IT"

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Who's who IN
**SOUTHERN CALIFORNIA
 INDUSTRY**



GENERAL ELECTRIC

Few people realize that one of the important manufacturing units of the General Electric Company is located in the thriving little city of Ontario, California, about 40 miles from Los Angeles. Operating as a branch of General Electric's Bridgeport, Conn., works, the Ontario plant manufactures many items for national distribution. This is only one of many branches of large eastern concerns which are supplied with low-cost power by the Southern California Edison Co.

THIS MAP SENT FREE...
 This map is the Who's Who of Southern California industry, gives names and location of important industries in the area. Write for free copy.

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 EDISON COMPANY LTD.**

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Praise Labor Report

U.S. commission's description of British conditions may influence action here.

HAVING HAD A WEEK to read and think over the Presidential commission's report on British labor relations, business observers generally agree that the committee of nine prominent Americans made a careful, dispassionate summary. In the near future, two more important events are anticipated: (1) Publication of a similar report by the same group on Swedish practices; (2) the convocation of an American study group, representative of all interested groups, to discuss the Wagner act and American deficiencies in cooperative conduct.

The British report listed little that was new to close students of foreign practice (BW—Jul 10 '37, p. 48; Jul 2 '38, p. 26; Jul 9 '38, p. 20); it came off the White House sounding board and consequently gained tremendously wide circulation. Many hitherto uninformed Americans now have an inkling of how the British system works—and why.

In both the British and forthcoming Swedish reports, business will note that the commission clearly outlines a picture of progressive development;

where America stands today, the foreign lands once stood. Years passed before England and Scandinavia got on their present "cooperative" basis of negotiation between employers and employees. Business observers believe that, considering America's much greater territory, considerable time must elapse before the same lessons are learned in this country.

Summing Up the Essentials

The commission reports are valuable, however, for the simplified, condensed outline they present. Boiled down, the following things found in England (and also to be found in Scandinavia), are the essential "differences" which American business and labor will study:

1. Employers and employees are more widely organized than they are in America. Employers are sold on unions as proper agents for the worker.
2. Collective bargaining, more often than not, is on an industry-wide basis, not piecemeal on a single-plant or single-company plan.
3. Leadership on both sides is in the hands of the "negotiating" type of administrator rather than the "fighting" type.
4. Ruptures of production, by strikes or lockouts, are not undertaken before

LABOR ANGLES

C.I.O. AND U.A.W.

WHEN HOMER MARTIN of the United Automobile Workers left the door to his strife-shaken house open this week and C.I.O. put its foot in the crack, the beginnings of a new period of reconstruction for the U.A.W. were set in motion. C.I.O. immediately sent its two most popular men (John Lewis not excepted) to Detroit. With Sidney Hillman and Philip Murray in Detroit to get the U.A.W. executive committee's reply to the C.I.O. peace plan, the C.I.O. had got past its biggest policy hurdle: How to get into the matter officially without raising the charge of "interference." Invited to sit in, the industrial union top-shots will tighten their influence progressively. Purpose: a coordination and house-cleaning "receivership" to put U.A.W. back on its feet. Example: the C.I.O. glass workers, who went through the same thing.

ROOSEVELT AS MEDIATOR?

ALTHOUGH THE MOST PROMISING "peace moves" of self-appointed mediators in the A.F.L. vs. C.I.O. fight have faltered one after the other, two or three more are getting under way. One is incidental to the wage-hour administration: Elmer

Andrews will try to balance the jurisdictional squabblers on his committees and therefore will get them to sit at the same table, section by section. Another move is coming from the A.F.L. unions themselves, as some of them petition the executive council to call off the fight. In C.I.O. circles, however, it is believed that only one mediator can get action, and that one is President Roosevelt. A rumor which as yet is only a whisper has it that the White House will sit in on the game between elections and Congressional convocation.

COAST WATERFRONT CONTRACTS

THE NEWSPAPERS aren't featuring the fact, but the "crucial period" of negotiation for new contracts between 91 Pacific Coast waterfront employers and 35,000 seafaring or longshoring workers has passed. All contracts with six out of the seven waterfront unions have been renewed for another year, and the seventh is due to be signed any day now. Renewal week—the first week in September—was the most frictionless week since 1934. New contracts are notable because of one additional clause: penalty arrangements for breach of agreement.

...consultation has failed to ... compromise. The unions are ... in scope, and "wildcat" strikes ... locals are not tolerated. Similarly, ... strong employer associations hold ... individual members in line.

When the Roosevelt suggestion of a ... inquiry into American practices ... business, labor, and govern- ... all are expected to take part. ... looking ahead, business readers are ... for the meeting to be called, but ... anticipate two important stumbling ... They are: (1) the American ... division in two scrapping parts; ... (2) the American employer divi- ... into pro-union and anti-union ... Before these two battles are fin- ... observers believe there is little ... to use the European lessons.

Wheat Insurance Up

AAA gets more applications by doing a strategic flipflop in its sales talk.

... EITHER all-risk crop insurance ... AAA acreage allotment plan separ- ... to wheat farmers this year is a ... tough job, so AAA officials have ... covered; but to sell both as a com- ... offer is next to impossible. ... George E. Farrell, chief of the West- ... section of AAA, in order to avert ... that appeared to be a certain crop ... insurance flop, called for time last ... month by postponing the deadline for ... insurance applications as originally an- ... nounced by Federal Crop Insurance ... corp., from Aug. 15 to 31, then in- ... structed all of his state and county ... AA supervisors to launch intensive ... minute drives in which crop in- ... surance was to be talked up. He further ... advised them to forget all the argu- ... ments for acreage allotment, which is ... the moment in high disfavor with ... wheat farmers.

Applicants Multiply

Result of Farrell's change of tactics ... a small flood of applications during ... the final six days which exceeded total ... business done in six weeks previous. ... total number of applicants from 19 ... winter wheat states is approximately ... 11,000, which is about twice the num- ... ber on file on the original deadline ... date. In Kansas, the most important ... winter wheat state, where on Aug. 15 ... less than 9% of the 1938-39 allotted ... acreage was reported as insured by 12- ... 40 applicants, the number of appli- ... cations doubled as soon as the AAA ... compliance talk was omitted from ... supervisors' sales talks.

While no figures have been received ... the total acreage insured as of ... Sept. 1, it is pretty generally agreed ... the amount is far short of the anti-

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In the Tri-Guard file, each guide slides on three rods, one at the bottom and one on each side of the drawer.

Top rods act as "sway-check". Guides are kept upright without compression and index, as well as support contents of drawer.



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Now—an orderly, factual basis for a study of executive compensation

Now the executive salary data released by government agencies has been carefully analyzed by the author of this new book, who in it makes available his significant findings—a number of vital facts and relationships that should be in the hands of every business man concerned with methods and policies of executive compensation.

Just Published

Executive Salaries and Bonus Plans

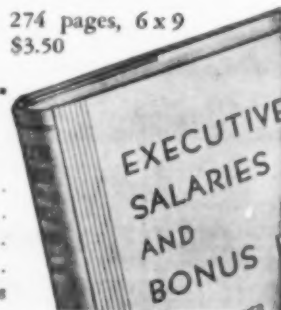
By JOHN CALHOUN BAKER

Associate Director of Research, Graduate School of Business Administration, Harvard University

Here is the first really comprehensive array of facts with regard to how top executives in various businesses have been paid, how salaries and other payments relate to earnings and dividends, questions of economic theory and public policy in executive compensation, etc. One hundred and six charts, tables and exhibits are given, together with a full discussion of the sources of information, methods of analysis, etc., utilized in developing them.

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OVERHEARD IN AN ELEVATOR

BOY AROUND EIGHT: What would happen if you just let this elevator go?

OPERATOR: It would go to the top floor and start back down again.

BOY: By itself?

OPERATOR: Yes, by itself.

BOY: And it stops at floors and opens the doors by itself?

OPERATOR: That's right.

BOY: Then what do you do?

OPERATOR (chuckling): Answer questions for little boys like you.

It's TRUE that the elevator which inspired this actual chat is almost entirely self-operating. It's true that the operator has no mechanical duties other than

to press a few buttons and release the doors—that he devotes himself mainly to passenger courtesy and comfort. This elevator (installed by Otis Elevator Company) has Finger-Tip Signal Control—gives the highest type of elevator service available.

Finger-Tip Control is *not* limited to new installations. Many elevators which have grown old in service have been, and are being, modernized to one of several types of Finger-Tip Control. This kind of modernization, at reasonable cost, gives lasting prestige to your building.



OTIS FINGER-TIP CONTROL
if you want better service

pated 20 to 30% of the crop planted.

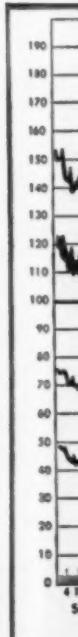
Federal crop insurance officials say the poor cooperation in "certain states" has been due to (1) the delay in announcing acreage allotments for the season, which prevented growers from knowing how many acres they could insure, (2) lack of proper organization in state and county units, (3) the belief by many farmers that in order to buy crop insurance, cooperation with the entire AAA program was required. This year, however, any farmer can apply; next year applicants must sign up for acreage allotments.

Most commonly heard objections to crop insurance from farmers are, first, premiums must be paid in advance in wheat or cash, but today the average wheat grower is having trouble finding enough cash or credit to enable him to seed his land. Nor is he in the habit of paying for anything in advance; his local insurance agent has always carried him until harvest time. Second, rates seem prohibitive to the average wheat farmer, despite the fact that a different set of rates has been made for each county based on past experience, and that all rates are at least 25% lower than any stock or mutual insurance firm could possibly quote, since the rate set-up does not include any overhead or selling expenses. But wheat farmers like to gamble; they are self-insurers at heart—winner take all. Probably no reasonable premium would ever interest the majority of them.

Farmers' Premium Rates

Highest premium rates occur in the old Dust Bowl area where farmers are obliged to put up 2.8 bu. of wheat or cash equivalent in order to be assured that they will harvest 0.3 bu. per acre which is 75% of the 10-year average. For 1.7 bu. per acre, 50% coverage may be obtained. In good wheat counties where average yields are from 11 to 20 bu. per acre, growers pay .8 bu. to 1.1 bu. per acre for 75% coverage. All premiums and losses are payable in #2 hard winter wheat, in advance.

While many wheat farmers have denounced the federal crop insurance as a come-on for the entire AAA program, numerous small town business men who are ordinarily anti-Administration are showing more than a passing interest in the stabilizing possibilities of insured crops. The fact that the FCIC has obligated itself to hold a reserve of wheat for paying losses, and thus keep it off the market, meets with general favor in the Wheat Belt. Because the crop insurance contracts are assignable as collateral for new loans for seeding, etc., bankers are swinging over to the idea. Insured crops are pretty good collateral when compared to the string of crop failures that haunted many banks the past four years.



Money and the Markets

As news arrives that early European war is averted, traders buy securities and commodities. But the stocks that get the biggest play are those of companies whose business is mainly domestic.

MARKETS WHICH HAVE BEEN ITCHING to go places derived substantial satisfaction this week from the decision which, despite continued Nürnberg blustering, apparently averts war in Central Europe. Particularly in stocks, where traders had been looking for any sort of good news as a buying signal, it provided the excuse for sharply increased activity and better prices.

On the New York Stock Exchange the word was received at about 1 p.m. Wednesday. The ensuing wave of buying sent the Big Board's high speed ticker lagging 2 minutes behind the market; the hour from 1 p.m. until 2 accounted for trading volume of 340,000 shares compared with 260,000 in all three previous hours together. The day's volume rose to 890,000 shares from 420,000 on Tuesday, and prices of many industrial favorites ranged from 1 to 3 points higher.

Adverse News Ignored

There, in brief, was the type of reaction this market can give to a shred of news which is regarded as favorable. On the other side of the picture, prices for several weeks have gone along pretty much sideways in spite of war scares and the sharp decline in the prices of farm products. In other words, such bad news as there has been has

failed to shake the market out on the downside.

It is doubtful if the influence of war scares on domestic stock prices at any time was very real. For example, Wall Street ignored completely the strength in securities prices in London on Tuesday. Probably London's City had pretty definite word that a compromise had been reached on the Czech question as early as that. Yet New York waited for the formal announcement. It is very rare that Wall Street proves so inattentive to tips, and it looks as if traders were numbed by the scare headlines rather than alive to developments.

Steels and Motors Rise

Further proof that intelligent attention was largely concentrated in the home situation—while superficial eyes were cast abroad—is to be seen in the fact that this week's major activity centered in stocks of companies whose business is predominantly domestic. The steels, motors, and rubbers were conspicuous. These companies might be expected to gain as much from war as from peace in Europe.

In short, what investors wanted was removal of a handicap to domestic recovery. Now they want to buy stocks if they can discover that further prog-

ress is being made on this side of the Atlantic.

Traders in commodities seem similarly minded. When they saw stocks go up on peaceful developments, they took a speculative whirl in the raw materials which stand to benefit from domestic recovery. Buying was pretty brisk in hides, rubber, and cottonseed oil futures. Cotton and the metals enjoyed a fair rise, while wheat was rallying fairly smartly even before Wednesday's clarification of European affairs.

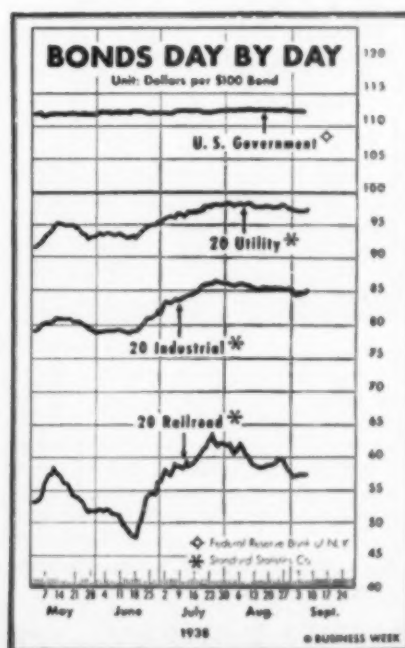
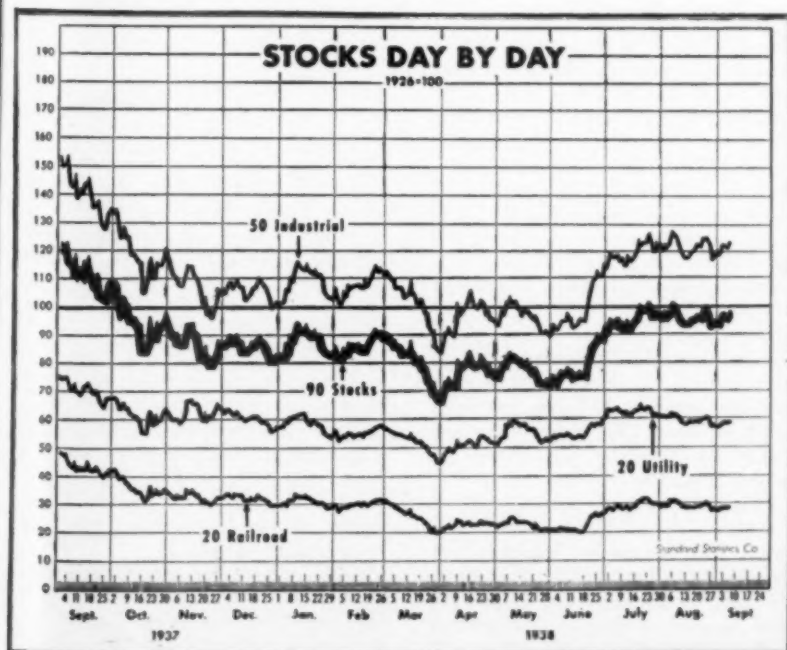
Metal Market Problem

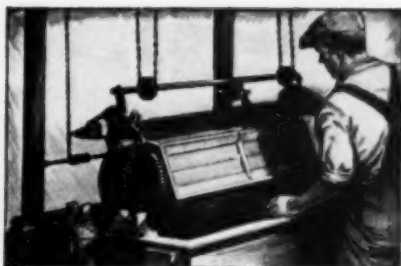
Non-ferrous metals, incidentally, are in a somewhat anomalous position as far as war scares are concerned. Peace in Europe may aid them through accelerated business in the United States. Yet peace in Europe may cut foreign consumption for armaments.

It would take very little to put prices of zinc and lead up in the United States if it were not for low prices abroad. Those low quotations in London mean that foreign metal could be shipped in over the American tariff wall if prices went up here without a compensating rise in Europe. Hence any decline in the operations of Europe's war industries could quite conceivably prevent improvement in non-ferrous metals prices on this side until there is a very substantial business recovery here.

The market is still further complicated by the fact that efforts are going ahead looking to formation of international cartels in both zinc and lead. Stories that there is substantial prospect for success in the case of lead, at least, brought speculative buying into lead futures.

Other markets may not face such be-





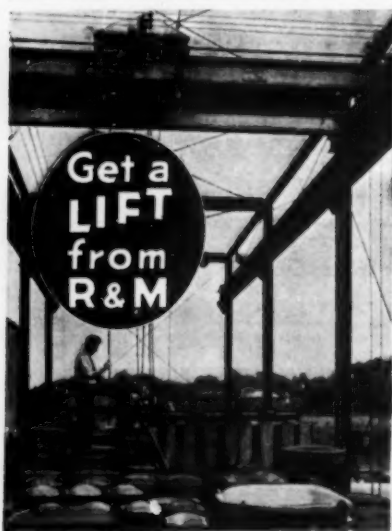
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ROBBINS & MYERS Hoists

wildering complications, but they have their own problems, Cotton, for example, still is beset by two sharply conflicting schools of thought. Many traders feel that prices can't improve until a considerable quantity of this year's crop is taken off the market and pledged under government loans. Others are of the opinion that pressure shortly will be less and that the market will tend to stay pretty close to the loan price of 8.30¢ a pound.

Until midweek, the bears had quite a bit the better of the argument. Hedging sales and short selling, at a time when mills were sparing buyers, sent spot prices down practically to 8¢ a lb. on Tuesday, and nearby futures on the New York went below 8¢. Wednesday's rally was worth about 50¢ a bale.

Profit-taking in Sugar

Among the few commodity laggards was sugar. It may be that there was some disappointed liquidation by longs who had bought it as a "war baby," but it is more probable that the slightly easier tone was a result of profit-taking by speculators who had bought on the recent advance.

Whether the war talk was a major factor in most other markets, it certainly was in the case of Czechoslovakian bonds and of most of the European foreign exchanges. The Czech bonds, naturally enough, had been having a bad time of it in recent weeks. Czech 8s of 1952, for example, had gotten down as low as 56¢ on the dollar recently. Last week they rallied to 85, and in the last few days they have moved ahead to 90. Other European bonds were much less spectacular, but most of them have rallied moderately in recent sessions.

The British Pound

The foreign exchange market continues to be dominated by the question of where the British pound is going, even though there was some improvement from this week's low levels. Official statements that the American stabilization fund and the British equalization account weren't trying to peg the market but simply to keep it orderly removed none of the major doubts.

When the sterling-dollar rate slumped to \$4.82 on Tuesday—the lowest figure for the pound in more than three years—doubts that there is any intention to stabilize at the old parity of \$4.86 were magnified. Foreign exchange circles in New York heard talk of figures as low as \$4.50 for the pound and, in view of the rush of gold to these shores, were in no position to cast very much doubt on the plausibility of these stories.

More than \$10,000,000 worth of gold was engaged in London for shipment to New York on Tuesday, and, despite the better tone in sterling on Wednesday, another \$5,000,000 started on its way to

the United States. For the sake of foreign trade, many expressed the hope that flight of European capital can now be halted and some semblance of stability in foreign exchanges restored.

\$30-Every-Thursday—Those who doubt that the \$30-Every-Thursday plan hatched in California offends orthodox economic thought need only turn to the bond market for their answer. Ever since the nomination of a proponent as a candidate for election to the United States Senate and the court decision approving placing of the plan on the November ballot (*BW—Sep3'38,p14*), bonds of the state of California have sold substantially below previous quotations.

This week there was further concrete evidence of what the country's financial minds think of \$30-Every-Thursday. The state sought bids on \$2,000,000 of registered warrants, the rate of interest to be specified by the bidder. The last time this sort of issue had been sold—Aug. 12, when \$2,826,182 worth of warrants was marketed—banks had been satisfied with an interest rate of only 1/2 of 1%. That was before the markets had realized that the proposal had managed to gain such backing.

This week when the state opened bids only one bank was represented, the Bank of America. Others just hadn't seen fit to have anything to do with the business. And home-state Bank of America had sufficiently soured on the state's credit that it exacted an interest rate of 2%.

Incidentally, most bond men don't think the \$30-Every-Thursday can possibly win both at the polls and in the courts. Hence they insist California bonds at present levels very definitely are on the bargain counter.

Sugar Settlement—The expected restoration of comparatively quiet conditions in the refined sugar market (*BW—Sep3'38,p38*) was accomplished this week after leading cane refiners on the Eastern Seaboard raised prices 30 points to 4.60¢ a lb. American Sugar Refining, largest unit, took the lead, and most of the others established quotations which restored the customary relationship.

As has been pointed out frequently in these columns over the last couple of months, refiners have been doing business on a much smaller than normal margin, and Cuba has been sacrificing close to 1/2¢ a lb. of its tariff differential in shipping raw sugar to the United States. These discrepancies have now been largely corrected.

Cane refiners for many years have been expected to take about 1¢ a lb. for processing the raws. Lately they have been lucky to get 75% or 80%

of that. Inasmuch as they have been paying the highest wages in history, they haven't been making any kind of money. Present quotations, allowing for the processing tax and for the 2%-for-cash discount policy, just about restore the refiners' markup of 1¢ a lb.

Raw sugar quotations just under 3¢ a lb., compared with Havana prices a shade over 1¢ a lb. once more give almost full effect to the United States' tariff of 1.87½¢ a lb. Thus Cuba again can sell in this market at approximate parity with the world price. Cuba still has to take a pretty low price, but it at least is "in line."

Brazil and Coffee—The way to attain volume is to maintain a free market. Brazil's recent experience in coffee amply demonstrates that.

Gains were scored from the moment that Brazil gave up trying to bolster world prices by destroying as much as 40% of its coffee production. For a while some observers wondered if those gains would be maintained. Statistics compiled by the New York Coffee and Sugar Exchange, now at hand for the first two months of the new coffee year, indicate continuation of the trend.

Lower prices, the result of Brazil's pulling the peg, have encouraged larger use of coffee. Hence apparent consumption for the world in July and August totaled 4,357,207 bags against 3,525,527 in the first two months of the preceding crop year. Out of this increased world use Brazil got a slice amounting to 2,790,432 bags or a little better than 64%. In the comparable period a year ago Brazil's share was 1,847,176 or only a little over 52%.

The extent of Brazil's gain in a free market indicates just how completely the South American coffee giant had been holding the umbrella over competitors. This is further exemplified when it is considered that all non-Brazilian coffees in July and August supplied only 1,536,775 bags for the world market against 1,678,351 a year ago. These non-Brazilian coffees did not quite 36% of the world's business compared with nearly 48% a year earlier.

Brazil's gains in the United States market are just about as impressive as in the world as a whole. Of total deliveries of 611,680 bags in the United States, Brazil supplied 605,256. Deliveries into this country were about 36.3% larger than a year ago. Brazil supplied practically all of that increase as U. S. takings from other producers were only 0.8% higher at 6,424 bags.

Dumping—The government's wheat export program (BW—Aug 20 '38, p. 7; Sep 3 '38, p. 16) already has developed the weakness which is inherent in all such plans. If all the grain exporting nations are to scramble for available markets,

Are You an Expert?

NEARLY everybody is an expert on something. Maybe it's stamps or candid cameras; maybe it's mining, tobacco or banking methods.

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Insurance that minimizes the agent's function may lessen your protection, your service. Insurance is dollar protection. There are no cut-rate dollars for sale.

Why not let an experienced agent or broker take a look at your business from an insurance point of view? Like a check-up by your family doctor, it can do no harm—may save your business life.

NATIONAL SURETY CORPORATION

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BENEFICIAL INDUSTRIAL LOAN CORPORATION

Dividend Notice

DIVIDENDS have been declared by the board of directors, as follows:

PREFERRED STOCK, Series A, 87½ cents per share, payable October 30, 1938 to stockholders of record at close of business October 15, 1938.

COMMON STOCK, 40 cents per share payable September 30, 1938 to stockholders of record at close of business September 16, 1938.

E. A. BAILEY, Treasurer.



Business Week Index

Business Week's first index of editorial contents, covering the issues for the first six months of 1938, is now ready.

Even those readers who are familiar with Business Week will derive from this index a new appreciation of the scope of its editorial contents and the completeness of its brief, factual but vividly interesting coverage of new developments, trends and events which are important in their influence on business.

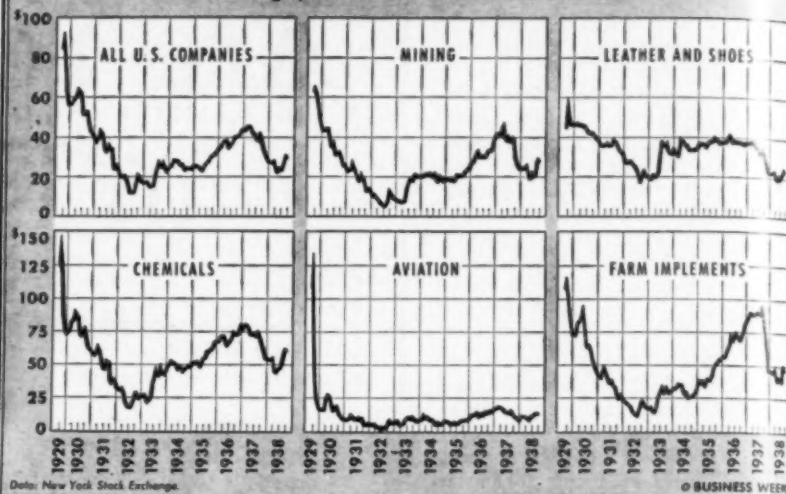
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BUSINESS WEEK

The Executives Business Paper

STOCK TRENDS BY MAJOR GROUPS

Average price of stocks as of the first of the month



why should the importing nations be in any hurry about buying?

That buyers are sitting tight—and pretty—has been demonstrated in the last few days. Prices in Winnipeg and Liverpool, which mirror world grain trade conditions, have been quite soft. And the Federal Surplus Commodities Corp., engineering the United States wheat subsidy venture, has found that demand for the grain is poor.

After operating for approximately a week, the FSCC counted up and found that it had bought 4,823,869 bu. of wheat and that it had resold only 1,849,597 bu. That weekly figure, if maintained, would move approximately the desired 100,000,000 bu. of wheat in the course of the year. But the full force of competition has not yet been experienced. Canada's new crop is not yet ready for shipment; Australia and Argentina won't be ready to give battle in the export markets until late this year and early next.

Unless the sellers can get together—and Sec. Wallace would be very glad to see them do that (*BW—Aug 27 '38, p. 14*)—it is safe to predict that exporters will continue to make a market which is quite ideal for the buyers. It remains a question if the domestic market, aided by federal loans to impound surpluses and by the government's export subsidy, can remain on a plateau over world markets.

Bigger and Butter—The government's Commodity Credit Corp. (the agency which finances storage of farm surpluses) and its deputed agent, the Dairy Products Marketing Association, are assuming a do-or-die attitude toward their surplus removal operation in butter (*BW—Aug 27 '38, p. 33*). But their efforts have been crowned with only mild success pricewise.

The middle of last June buying started, the idea being for the government to take about 50,000,000 lb. of the surplus. This was bought and prices kept right on sliding, so the money was ponied up for purchase of an additional 25,000,000 lb. At the end of last week the 75,000,000-lb. mark was virtually attained, and the Washington authorities apparently decided that to withdraw support from the market now would be fatal. So the program was broadened by another 40,000,000 lb. (Meanwhile, the Federal Surplus Commodities Corp. is helping out by taking over 10,000,000 lb. of the supply already in the government's hands to distribute in relief channels.)

Butter production continues to run at an extraordinarily high level. The trade shuns the market for fear the government sooner or later will have to let the price seek its own level. Under the circumstances, the government has to take just about all the butter in sight in both New York and Chicago.

At times, buying has seemed almost frenzied. On Thursday of last week it was nearly 2,000,000 lb. Next day it topped 2,300,000. Finally, after the prolonged Labor Day week-end, the largest single day's purchases of the program were completed—the federal authorities taking 3,582,558 lb. of butter on Tuesday, the first business day of this week.

At this rate, it seems probable that the government will own more than 100,000,000 lb. of butter in another week or two. That would be just about half of the total storage supply. If the federal authorities then can diminish or cease their support for the market, the season of declining production will be at hand to help care for the price structure—and the politically important dairy states.

BUSINESS ABROAD

Europe believes war crisis has passed temporarily. Markets react favorably. Effort is made to rush constructive projects, such as Anglo-U.S. trade pact, in scheme to ease tensions before next year.

From Wireless and Cable Reports by Business Week's Foreign Bureaus and Correspondents

BUSINESS is already recovering from the worst war scare it has had in many months. The Germans and the Czechs are thought to have reached a compromise on the Sudeten question (page 15) which saves face all around but which is really a German victory. Czechoslovakia retains its sovereign control over the Sudeten region now, but there is little doubt in sophisticated circles in Europe that in time Germany will have its way in that section of the country.

World business reacted at once to the expected compromise. Stock markets turned up; pressure on European currencies eased; financial centers breathed a sigh of relief.

No informed government official or business leader believes that war is pushed completely out of the picture. It is only postponed, until other crises are cleared up. But the prospects seem bright that it has been delayed until next year, at least.

Shift in Pressure to Spain?

Diplomatic pressure, in fact, will probably only be shifted from Central Europe to Spain during the next few months, but there is less fear among business leaders that this situation will prove to be as explosive as the Czech-German crisis has been.

The fact that the Spanish problem is likely to be tackled next is important to the international money market, for it means that Britain is again involved and that sterling is likely to remain under some pressure all fall due to international political conditions, in addition to the natural pressure of an adverse trade balance caused by unusual purchases of war materials and equipment. Until the political atmosphere clears, London and New York are not speculating very definitely on the point at which the sterling decline is likely to be halted. It is known that the United States government has offered no serious protest so far to the lower pound exchange.

France is likely to swing into the business limelight again in the next few months. As long as the international situation remained tense, the Daladier government had the full support of the various parties in France. As soon as this emergency has definitely passed, it is expected that labor will fight vigorously the Daladier plan to nullify as far as possible the regulations which went with the 40-hour week and other social legislation.

By October, also, tax returns will dwindle, though the government's liabilities will mount steadily toward the yearend. Peak income from tourists will

have passed. And in October, parliament reconvenes, which means the probable renewal of partisan strife. The economic outlook in France for the remainder of the year is not bright, and this very fact may mean more bitter international political bargaining than would be the case if France could be counted upon to support Britain firmly in a program to iron out Europe's most serious problems during the winter.

All Europe is still looking to the United States to take the lead in business recovery, and no indications are visible yet that the leadership is going to shift across the Atlantic.

Encouraging Signs

Several constructive moves are in sight which will encourage business this winter. The Anglo-United States trade agreement is expected any day, to be followed almost immediately with a revised trade agreement between Canada and the United States. It will take time for the new trading possibilities in the agreements to be digested and become effective, but exporters in all three countries are already set up to take advantage of the new terms as soon as they are announced.

It is reported that a syndicate of Dutch and American financiers and steel men is planning the erection in



Wide World

CROWDS, BRITISH AND GERMAN, WAIT OUT THE WAR THREAT—Left, a throng gathers at 10 Downing Street as



European

the cabinet meets in emergency session. Right, Chancellor Hitler reviews his party's massed thousands at Nürnberg.

the Netherlands of a new steel mill, as part of the plan for mutual cooperation outlined when Holland House was organized (page 17).

The United States is already starting a trade push in Latin America, which will get a boost with the first sailing from New York of the new "good neighbor" fleet on Oct. 8.

Germany—It is the opinion of the outstanding diplomatic authorities in Berlin this week that Hitler has abandoned all idea of military intervention in Czechoslovakia, and will accept the best possible compromise he can wangle—his hope being that time will work on his side after the Sudeten Germans have their own police and other governmental executives.

Informed observers listened skeptically to the Hitler statement at Nürnberg that the country has no fear of a blockade now, because it has accumulated stocks of foods and increased its self-sufficiency in many lines.

Residential building will get a boost according to plans, just announced, to slow down on public construction because of the growing acute shortage of houses. It is estimated now that there is a shortage of homes in the Reich which has reached 3,000,000. Since the embargo on private capital issues makes it impossible for private builders to obtain funds, the government proposes to put pressure on industrial corporations to build houses for their own workers. This makes the outlook for already strained corporate finances still gloomier.

Great Britain—The business outlook here hangs on (1) the outcome of European political tensions, (2) the business trend in the United States, and (3) the terms of the Anglo-American trade pact which are expected to be announced any day.

Unemployment declined during August, but was well above last year. The coal, building, and shoe trades showed the most marked improvement. Smart shops in London's West End are beginning to feel the pinch of depression and are dismissing old hands. Their customers are especially influenced by stock market trends.

France—Paris markets recovered this week as it became increasingly evident that both Germany and Czechoslovakia were in a mood to compromise on problems. Tension over the franc has eased temporarily but Paris is bearish on the long-term trend of the pound.

The outbreak of fresh strikes in Marseilles has been handled drastically by the government, but observers believe labor troubles will again grow in importance as the war fear abates. France has not yet arrived at a satisfactory solution of its labor problems.

To stimulate coal production, the government has boosted miners' wages 6%. Plan is to boost production 2,000,000 tons and cut imports to the same extent, thus easing pressure on franc exchange.

Soviet Union—Kremlin authorities recently stripped the Northern Sea Route Administration of all its functions except supervision of expanding traffic over the route between Europe and Asia by way of the Arctic. There will be a new drive to divert ordinary traffic to this route, leaving the Trans-Siberian Railroad free for more urgent needs in connection with the war threat from Japan. In addition to large purchases of ships in England and from Japan (under the plan of payment for the Chinese Eastern Railroad), Soviet shipyards are working at capacity in order to cut to the bone the number of Soviet cargoes carried in foreign bottoms.

Power For France

Government helps private companies build big hydro stations.

PARIS (*Business Week Bureau*)—The French government is taking a hand in the electric power industry in ways which resemble the New Deal program in the United States.

First step in a program of long-term planning of the expansion of electric power output has been taken. In a 7-year program, new hydro-electric

power capacity equal to half of the country's present production will be developed. Private companies will carry out the work, but the government will assist in the financing by guaranteeing a part of the bonds which will be issued to cover the costs, and the government will have a hand in the planning of power lines, the providing of service in special areas, and the responsibility for development in strategic areas along the northern and eastern borders.

Back of Power Plans

The French government has four objects in mind in pushing the new program:

1. Present electric power capacity in France is barely able to meet consumer demand, and little or no adequate provision has been made by private interests during the recent depression to build new plants. During the last 15 years, electric power consumption in France has practically doubled.

2. Nearly two-thirds of France's electric power now is generated in steam plants, much of it on imported coal. It is planned to push the development of the country's water power resources in the hope that coal imports can be cut sharply.

3. While electricity is available in almost all communities in France, few farm homes are electrified and electricity is not used as commonly as in almost all neighboring countries. By lowering rates and making them more nearly uniform throughout the coun-

FOREIGN ANGLES

RULING HELPS TRADE ZONES

FOREIGN TRADE ZONES, only two of which are yet functioning in this country—at New York and Mobile—received a boost in a new Treasury ruling which decrees that the day goods clear from the zone is the date of entry, when they are subject to duty charges. This makes it possible for owners of goods using the foreign trade zones to time entry so as to get the benefit of the most favorable prices.

BETTER LATIN AMERICA TRADE

IN MOST LATIN AMERICAN COUNTRIES, other than Mexico, the United States has made trade gains this year, principally at the expense of Germany. A little business is being lost to the British, who have become very aggressive in Latin America in recent months. American exporters are watching the decline in sterling with apprehension because of the new advantage it gives their British competitors.

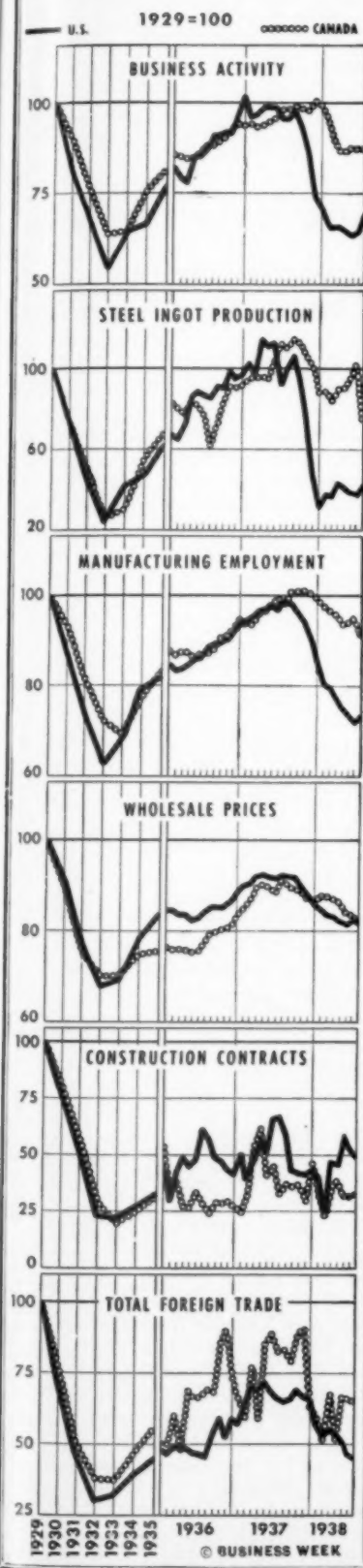
ITALY FOOTS THE BILL

MUSSOLINI'S RELUCTANCE to be dragged into any conflict precipitated by the Czechoslovakian question, and his eagerness to wind up the Spanish conflict, are partly explainable in an estimate, published in the London *Daily Herald*, that the campaign in Spain has already cost Rome more than \$900,000,000.

FORD PAYS A BONUS

UNDER PRESENT WAR EMERGENCY conditions in Japan, the military have practically an option on the entire automobile output of the country, including that of foreign companies. As a result, salesmen of authorized dealers have been idle for some time and have threatened to go into some other business if these conditions continue. The Ford Motor Co., to hold the men it has trained over a long period, is paying bonuses to those who stick to their jobs.

TREND OF BUSINESS CANADA AND U. S.



try, the government hopes to increase the use of electric power.

4. From a war emergency standpoint, France needs to cut its dependence on imports to a minimum. The new hydroelectric stations should provide the country with increased power capacity without any increase in the need for imported coal. Also, in the strategic northeastern regions, power

lines will be laid under ground in a circuit completely controlled by the government. At the same time, new regional hookups will reduce dependence on any one great power station.

French authorities insist this is no preliminary move to nationalize the utilities, though it makes it possible to carry out such a move quickly in time of emergency.

Canadian Business Roundup

Better farm buying, more building, and soaring British arms orders brighten the autumn outlook for Dominion business.

OTTAWA—Highlight of the Canadian picture this week is, of course, the war-plane manufacturing deal (page 46) between the British aircraft mission and the top layer of Canadian finance and business. It involves a contract yet to be signed between the British government and a new Canadian company with a directorate of "all the talents" of the Canadian business community. Size of the orders is not determined but they will be large and long-term.

For next week or the week after, the new trade pact with the United States is expected—with the possibility of considerable grief for Canadian interests now enjoying large benefits from the present terms of the Ottawa agreements which are expected to be modified in favor of the United States in the tripartite deal now nearing completion at Washington. Some compensation for this loss under modification of the Ottawa agreements is anticipated in freer access to the United States market for some Canadian agricultural products, fish, and possibly some lumber and mineral products.

Studebaker and Hudson-Essex are

expected to resume partial manufacturing and assembling at their plants near Windsor, Ontario, as a result of a tariff concession just made by the Ottawa government as an inducement to their return. They closed their plants after the 1935 United States-Canada trade pact came into operation which lowered the duty on their class of cars from 35% to 17½%. They had difficulty in conforming to the requirement of 50% Canadian content in the finished car in order to secure certain parts duty-free. Now the Canadian content requirement is lowered to 40%. The concession applies to companies which produce under 10,000 cars a year in this country.

C. P.'s Receipts Expand

Bright spots continue in the current business picture. Rail earnings are rising rapidly. Canadian Pacific Railroad receipts for the last 10 days of August were up 8.6% over last year. The rise began in the second week in August and has been steadily accelerating.

Construction is also improving, August having been the best month of the

Canadian Business Check List

	Weekly Index Numbers 1926 = 100		
	Aug. 27, '38	Aug. 20, '38	Aug. 28, '37
General Index	107.4	107.7	113.7
Key Components:			
Carloadings	77.2	72.5	89.5
Bank Clearings	88.7	95.5	105.6
Common Stock Prices	106.0	104.5	133.3
Shares Traded	60.1	95.5	65.2
	Monthly		Cumulative from Jan. 1—
	1938	1937	1938 1937
Automobiles (number)			
Domestic Sales (July).....	8,273	12,526	84,881 106,924
Exports (July).....	4,760	8,127	39,720 42,614
Pig Iron (tons) (July).....	51,238	79,756	455,396 503,680
Newspaper (tons)			
Production (July).....	202,546	314,529	1,462,417 2,102,289
Exports (June).....	194,520	306,645	1,103,286 1,631,583
Electric Power Output (kw) (000 omitted) (July).....	1,987,754	2,188,055	14,702,795 15,944,187
Construction Contracts (July)...	\$21,158,200	\$21,485,300	\$101,813,400 \$131,861,100
Life Insurance Sales (July).....	\$30,126,000	\$32,040,000	\$220,175,000 \$225,156,000

Data: Dominion Bureau of Statistics

Business Week

Business Week

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year. Contracts awarded amounted to \$22,000,000, in comparison with \$21,000,000 for July, and with \$24,800,000 for August, 1937. The Canadian home improvement loan plan is doing more business, with 2,737 loans totalling \$1,232,000 taken out since July 23.

Retail trade volume moved up last week with the commencement of fall business. Returns now coming in show that in the western provinces the good

crop was anticipated in larger general buying. Country stores in southern Saskatchewan increased sales in July 12% over last year, and over the whole province the betterment was 2% in Manitoba 1%, but in the Maritime Provinces and Quebec country sales were down 4%, in Ontario 6% and in British Columbia 7%. Retail sales on the whole throughout Canada were off an average of 6% in July from 1937.

Dominion Plants Get War Orders

British government plans long-term war equipment buying program through special new Canadian manufacturing syndicate.

OTTAWA (Business Week Bureau)—The important thing about the arrangement brought close to the final stage at the end of last week for the manufacture in Canada of war planes for Great Britain is that it definitely signifies a well-considered plan of the British government to establish in Canada a great supplementary arsenal for the production of war materials for Empire defence. The implications of such a plan take in more territory than Canada or even the British Empire. They take in the United States.

The bomber planes that Canada is to build for Britain could be built in England. It is not to get war planes more quickly than they could be produced at home that Britain is making the arrangement in Canada. If that had been the motive Britain could have ordered in the United States where manufacturing facilities are greater.

The Canadian arrangement is long-term, and involves the erection of new plants.

Britain's purpose is to establish sources of war supplies beyond the easy range of enemy bombers in the event of war. If that is desirable in the case of war planes, it is also desirable in the case of tanks and other war implements.

Who's Who in New Project

The British aircraft mission has done a good job. It has brought into the bomber-manufacturing undertaking an array of the most important business and financial interests and outstanding business men in Canada. The Canadian personnel alone signifies that it is big business. Presidents Sir Charles Gordon and Morris W. Wilson of the Bank of Montreal and Royal Bank of Canada, and President A. B. Purvis of Canadian Industries, Ltd., make up the board that is to deal directly with the British government. Headliners in the new company through which will pass all orders are Victor

Drury, go-getter head of Canada Car and Foundry Co., and R. J. Magor, head of National Steel Co., which last week disclosed the most successful year's operations in its history. These two companies are tops in railroad rolling stock manufacturing in Canada, and both have been working on plane orders, the former for Turkey, the latter for the Canadian government. Other business leaders on the directorate are President L. J. Belnap of Consolidated Paper, George Cottrell of Canadian Bank of Commerce, W. H. McIntyre of Ottawa Car Manufacturing Co., a leader in the manufacture of tram cars but which has also built aircraft for years, Fleet Aircraft's President W. J. Sanderson, Fairchild Aircraft's President Hubert Pasmore, Paul F. Sise, president of Northern Electric Co., will head the central company.

Build New Plants

The central company will be capitalized at \$1,250,000, subscribed by the companies involved and by Canadian banks. It will build two \$300,000 assembly plants, one near Montreal and one between Toronto and Hamilton. Later these plants will manufacture, but at first the manufacturing of the bomber chassis will be by companies now in operation. Engines will be brought to Canada from England, the bombers flown home.

Companies which will figure principally in the orders will be Canada Car and Foundry, Canadian Vickers, and Fairchild Aircraft in the Montreal area, and National Steel Car, Ottawa Car, and Fleet Aircraft in the Toronto area. Canada Car and Foundry's Fort William plant, and Boeing Co. of Vancouver will get separate orders.

Other Canadian aircraft companies such as De Havilland Aircraft, Club Aircraft, Noorduyn Aircraft and Montreal Aircraft Industries, not included in the present arrangement, will get British orders for lighter aircraft.

TRIVIA: Lucius Beebe would refer to New York's parade in immediate square and immediate ob assume the "trivial" where three in New York, Alabama and Island Ave. few we

WHAT: who are tin blecloths manufacturing paper nap other gam them. . . . Camps and duces a co with a Jane Eng (York), co Viscose Co the name t a word

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EDITORIALLY SPEAKING

TRIVIA: Prayerfully we wish that Lucius Beebe, in his syndicated column, would refrain from writing about "New York's paragraphers and columnists engaged in reclaiming its trivia from immediate oblivion." Reclaim Times Square and similar crossroads from immediate oblivion? . . . Or does Lucius assume that "trivia" means "trivialities"? It doesn't. "Trivia" is the plural of "trivium," which means a place where three roads meet. Times Square in New York; Five Corners in Birmingham, Alabama; the corner of Harrison and Halsted Streets and Blue Island Avenue in Chicago—these are a few well-known trivia.

WHAT'S NEW? Restaurant owners who are tired of customers scribbling on tablecloths can buy the Dennison Manufacturing Co.'s Game-Naps, which are paper napkins with tick-tack-toe and other games and puzzles printed on them. . . Miller Co., manufacturer of lamps and lighting fixtures, now produces a combined lamp and insect trap, with a bottom opening. . . The Jane Engel specialty shops (New York), cooperating with the American Viscose Corp., have begun playing up the name "rayon" in their ads, to make it a word of pride instead of apology.

FOOD FARRAGO: Douglas Fairbanks, orange magnate! . . . His Rancho Zorro is expected to produce 120,000 boxes of oranges this year; they're being shipped to Eastern markets by the Escondido Orange Association, of Escondido, Calif. . . National Biscuit Co. is introducing Cubes, a flavored whole wheat cereal. . . When the State Fair of Texas celebrates its Golden Jubilee, at Dallas, Oct. 8-23, one of the main attractions will be the Castle of Foods, designed by George Dahl on behalf of a food-industry committee headed by Granville W. Moore of Dallas, trade counselor.

OUR TIMES: Danger! Ciro, of Paris, will introduce its "Danger" perfume to the American market, using Guy T. Gibson, Inc., as distributor. . . Pierce Watch Co. is making a new advertising splash for its Pierce Chronograph, a wrist watch which is four things—a chronometer (or ordinary watch); a stopwatch; a tachometer (or measurer of velocity); and a telemeter (or measurer of the distance of an object from the observer). . . Eight commandments for automobile drivers—Myron M. Stearns of Greenwich, Conn., has written them for the Tide Water Associated Oil Co., thus gobbling the first prize in a contest—\$25,000. . . Hirestra Laboratories, New York, have won a federal court injunction restraining the

American Medical Association from publishing a single syllable about Hirestra's Endocrine (a face cream), pending the taking of testimony in Hirestra's \$3,000,000 libel suit against the A.M.A.

ADD WHAT'S NEW? A windowless windowed department store—that's the new unit which R. L. Baldwin & Co. has added to its store at Durham, N. C. . . Window-shoppers can look into windows and see displays; but inside the store, on the selling floors, windows aren't visible—they have been blocked off with partitions, and no outside light or air or dust intrudes on the artificial light and ventilation. . . E. Paul Behles and Associates, New York architects, did the job. . . The radio-quiz idea is applied to a packaged product by the Myles Salt Co., each of whose cartons now has a cutout with the caption, "Sally Myles Teasers," followed by an illustrated question, with the answer printed below, in smaller letters.

COMMERCE CAVALCADE: The National Macaroni Manufacturers' Association has designated Oct. 9-15 as National Spaghetti-Noodle Week. . . "Kernel Nut from Brazil," a trademark figure of a Brazil nut with human features, will be used in the fall advertising of the Brazil Nut Association. . . Use certain kinds of pears in the fall; use other kinds at Christmas, and certain others in the spring—that's what the winter-pear growers of Oregon, Washington, and California plan to advertise.

IN YOUR EAR: How to increase American armament production and how to fit the American steel and other metal industries into the British rearmament program is one of the cardinal subjects to be discussed by those 300 British industrialists and engineers who are coming over in October. . . Floyd B. Odum, president of Atlas Corp., is reported on Broadway as having an interest in Odessco Productions, Inc., a new motion-picture production company, but this is denied by the active head of the firm, Bernard Steele. . . Mr. Odum's 22-year-old son, Stanley, is one of the directors. . . On Sept. 19 the company begins shooting a movie, "Hometown," at Paramount's old Eastern studios, at Astoria, Long Island. . . Same day, same studios, another new company begins shooting a movie there. . . The company is Triple A Productions; the movie is "One-Third of a Nation," based on the Federal Theater Project's housing play; the star is Sylvia Sydney; the same Bernard Steele is one of the directors; and he says Floyd Odum is not angling this production, either.

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He sends them out to the trade with a nice letter, and I follow 'em up shortly with a call. It's a natural. They love it! And man, don't the orders come easier after *that*! I'm telling you, the bright lad that said, 'Good will gained is half the battle won,' really knew his checkers!"

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BUSINESS WEEK

The Journal of Business News and Interpretation

SEPTEMBER 10, 1938

The Rail Unions Can Help Themselves

THE BREAKDOWN of mediation in the railroad wage dispute puts the rail labor unions in a seemingly untenable position. It is understandable that the union leaders should attempt to keep hourly wage rates up, so as to maintain a high standard of living; but when insistence on a high wage level redounds to the detriment of the workers themselves, then that policy ceases to be smart or statesmanlike.

Certain facts speak for themselves. Employment on the railroads today is 49% below the level prevailing in 1923-1925, whereas employment in manufacturing is down only 24%. That's not sheer accident. It's true that railroad traffic has not expanded as rapidly as general business in recent years; but that alone would not account for the surprising discrepancy between railroad employment and manufacturing employment.

What has happened is this: rail managements, faced with financial difficulties, have been forced to cut costs wherever possible. Maintenance and replacement of way and structures have been skimped, and labor has suffered accordingly.

A GOOD PART of this cost-cutting was necessary because the railroads were unable to employ their labor efficiently. In 1937, the carriers paid out nearly \$90,000,000 for hours not worked under full-crew laws and so-called "featherbed" rules.

That suggests how the unions—were they willing—could assist railroad managements toward meeting fixed charges. But the unions not only insist on featherbed rules—which make it possible for engineers on fast passenger train schedules to collect as much as \$300 to \$350 a month for from 80 to 90 hours of duty—but also they insist on maintaining wage rates at the highest level in history during a year in which the carriers as a whole will lose about \$180,000,000.

That policy may sit well with the men who are still working and still being paid. But it's questionable whether it will appeal widely to thousands of disemployed railroadmen who are sitting on the sidelines waiting for jobs; this, at a time when there is every likelihood that the roads will be forced further to decrease employment, in the interest of lower costs.

Certainly, there is now little incentive for the roads to expand expenditures on maintenance, replacements or purchase of new equipment. For, in the final an-

alysis, before any increased expenditures are warranted, railroad managements must test them with a question: Will improved facilities increase net operating income? And for the most part, the answer to that question must be "no."

UNLESS THE CARRIERS can economize on costs, there is little sense in installing faster locomotives and new-type freight cars, or in "speeding up" the roadbed. But, featherbed rules restrict modernization. The increase in the average speed of freight from 11.5 miles per hour in 1931 to better than 16 miles today has resulted chiefly in shortening the hours of work of union members. It has made no significant contribution to the treasuries of the railroads.

If the unions would cooperate with the railroads to do away with full-crew laws (where unnecessary) and with featherbed rules where they definitely place a burden on the railroads, the roads might be considerably less vehement, and less justified, in their demands for a wage cut—and rail labor in the long run might be better off.

Freedom of action—in utilizing new devices, equipment, and practices to cut operating costs and to meet competition—would go far toward permitting railroad managements to exercise their skill and ingenuity to cover fixed charges. But as things stand today, because of inflexible union rules, management is able to do very little except grin and bear it and fight the unions for a reduction in the wage scales.

The unions could give the railroads something in the nature of a new lease of life either by yielding on the wage question or by relaxing featherbed rules. Instead of hurting workers, this policy of cooperating might help the unions themselves—by helping the roads to improve their facilities and services in order to meet competition and to enlarge traffic volume. Which, in the long run, would expand employment.

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